

## **HIGHLIGHTS OF THIS ISSUE**

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

### **SPECIAL ANNOUNCEMENT**

#### **Announcement 2005-88, page 1145.**

This announcement solicits applications from potential partners to participate in the 2006 IRS Individual e-file Partnership Program. The partnership opportunities support RRA 98 which requires the IRS to receive 80% of all returns electronically by 2007. RRA 98 authorized the IRS Commissioner to promote the benefits and encourage the use of e-file services through partnerships with various entities that offer low cost tax preparation and electronic filing of income tax returns for qualified taxpayers. Applicants that are accepted as partners will have a link(s) and description(s) of their services placed on *irs.gov* (IRS e-file Partners Page).

### **INCOME TAX**

#### **REG-144620-04, page 1141.**

Proposed regulations under section 704(b) of the Code provide rules for testing the substantiality of an allocation where the partners are look-through entities or members of a consolidated group, provide additional guidance on the effect of other provisions, such as section 482, upon the tax treatment of a partner with respect to the partner's distributive share under section 704(b), and revise the existing rules for determining the partners' interests in the partnership. A public hearing is scheduled for February 15, 2006.

#### **Rev. Proc. 2005-74, page 1098.**

**Substitute tax forms and schedules.** Requirements are set forth for privately designed and printed federal tax forms and conditions under which the Service will accept computer prepared, and computer-generated tax forms and schedules. Rev. Proc. 2004-62 superseded.

### **EMPLOYEE PLANS**

#### **Notice 2005-87, page 1097.**

**Application of regulations under section 415; plan amendments.** This notice provides that when the final regulations under section 415 of the Code are published, the grandfather rule of regulations section 1.415(a)-1(g)(3) for preexisting benefits in defined benefit plans will be expanded.

#### **Rev. Proc. 2005-76, page 1139.**

**Retroactive payment of benefits; multiemployer plan; discretionary relief; extension.** This procedure extends the date by which certain qualified retirement plans must be in operational compliance with reforming plan amendments in order to be eligible for the treatment described in section 3.02 of Rev. Proc. 2005-23, 2005-18 I.R.B. 991, which relates to the Supreme Court decision in *Central Laborers' Pension Fund v. Heinz*, 541 U.S. 739 (2004). Rev. Proc. 2005-23 modified.

### **EXEMPT ORGANIZATIONS**

#### **Announcement 2005-89, page 1149.**

A list is provided of organizations now classified as private foundations.

(Continued on the next page)

Finding Lists begin on page ii.



## **ADMINISTRATIVE**

### **Rev. Proc. 2005-75, page 1137.**

This procedure provides guidance concerning when information shown on a return in accordance with the applicable forms and instructions will be adequate disclosure for purposes of reducing an understatement of income tax under sections 6662(d) and 6694(a) of the Code. Rev. Proc. 2004-73 updated.

### **Announcement 2005-87, page 1144.**

The purpose of this announcement is to formally announce the Compliance Assurance Process (CAP) pilot program for large business taxpayers. The objective of the program is to reduce taxpayer burden and uncertainty while assuring the Service of the accuracy of tax returns prior to filing, thereby reducing or eliminating the need for post-filing examinations.

# The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by

applying the tax law with integrity and fairness to all.

## Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are compiled semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations,

court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

### **Part I.—1986 Code.**

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

### **Part II.—Treaties and Tax Legislation.**

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

### **Part III.—Administrative, Procedural, and Miscellaneous.**

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

### **Part IV.—Items of General Interest.**

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

The contents of this publication are not copyrighted and may be reprinted freely. A citation of the Internal Revenue Bulletin as the source would be appropriate.

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# Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

## Section 6662.—Imposition of Accuracy-Related Penalty on Underpayments

Guidance is provided concerning when information shown on a return in accordance with the applicable forms and instructions will be adequate disclosure under section 6662(d) for purposes of reducing an understatement of income tax. See Rev. Proc. 2005-75, page 1137.

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## Section 6694.—Understatement of Taxpayer's Liability by Income Tax Return Preparer

Guidance is provided concerning when information shown on a return in accordance with the applicable forms and instructions will be adequate disclosure under section 6694(a) for purposes of reducing an understatement of income tax due to a return preparer's unrealistic position. See Rev. Proc. 2005-75, page 1137.

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## Section 7805.—Rules and Regulations

*26 CFR 301.7805-1: Rules and regulations.*

A revenue procedure extends the date for multiemployer plans to meet the requirements in Rev. Proc. 2005-23, which was issued as a result of *Central Laborers Pension Fund v. Heinz*, 541 U.S. 739 (2004). See Rev. Proc. 2005-76, page 1139.

# Part III. Administrative, Procedural, and Miscellaneous

## Section 415 Regulations and Preexisting Plans

### Notice 2005-87

#### Purpose

This notice provides that when the final regulations under § 415 of the Internal Revenue Code are published, the grandfather rule of § 1.415(a)-1(g)(3) of the proposed regulations for preexisting benefits in defined benefit plans will be expanded.

#### Background

Section 415 of the Code provides various limitations on benefits under qualified defined benefit plans and annual additions under qualified defined contribution plans. The proposed regulations under § 415, issued May 31, 2005, provide comprehensive guidance regarding the limitations of § 415, including updates to the regulations for numerous statutory changes. The regulations are proposed to apply to limitation years beginning on or after January 1, 2007.

Section 1.415(a)-1(g)(3) of the proposed regulations provides a grandfather rule for preexisting benefits under which a defined benefit plan will be considered to satisfy the limitations of § 415(b) for a participant with respect to benefits accrued or payable under the plan as of the

effective date of the final regulations. This grandfather rule applies only to benefits accrued pursuant to plan provisions that were adopted and in effect on May 31, 2005, and only if such plan provisions meet the requirements of statutory provisions, regulations, and other published guidance in effect on May 31, 2005.

Commentators have expressed concerns about the grandfather provision of the proposed regulations. Commentators asserted that plan sponsors should not be required to apply the final regulations before their effective date and noted that the May 31, 2005, date would effectively require them to apply the final regulations retroactively (since any benefit provided by a defined benefit plan adopted after May 31, 2005, or benefits attributable to a post-May 31, 2005, amendment will not be covered by the grandfather rule).

#### Expansion of Grandfather Rule for Preexisting Plans

The Treasury and Service intend that, when the regulations under § 415 are finalized, the May 31, 2005, date that is in the grandfather rule in §1.415(a)-1(g)(3) will be replaced with a date that is not earlier than the date of publication of the final regulations. Thus, in the interim period before final regulations are published, plan sponsors who adopt new plans and plan amendments will not be subject to the

interpretations set forth in the final regulations with respect to benefits accrued prior to the effective date of the final regulations, if the plan provisions relating to § 415(b) meet the requirements of statutory provisions, final regulations and other published guidance in effect when the new plan or the new amendment is adopted. Additionally, in the interim period before final regulations are published, plan provisions will not be treated as failing to satisfy the requirements of § 415 merely because the plan's definition of compensation for a limitation year that is used for purposes of applying the limitations of § 415 reflects compensation for a plan year that is in excess of the limitation under § 401(a)(17) that applies to that plan year.

#### Drafting Information

The principal author of this notice is Kathleen Herrmann of the Employee Plans, Tax Exempt and Government Entities Division. For further information regarding this notice, please contact the Employee Plans taxpayer assistance telephone service at (877) 829-5500 (a toll-free number) between the hours of 8:00 a.m. and 6:30 p.m. Eastern Time, Monday Through Friday. Ms. Herrmann can be reached at (202) 283-9888 (not a toll-free number).

**NOTE:** This revenue procedure will be reproduced as the next revision of IRS Publication 1167, *General Rules and Specifications for Substitute Forms and Schedules*.

## **Rev. Proc. 2005-74**

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## Part 1 Introduction to Substitute Forms

### Section 1.1 – Overview of Revenue Procedure 2005-74

<b>1.1.1 Purpose</b>	The purpose of this revenue procedure is to provide guidelines and general requirements for the development, printing, and approval of substitute tax forms. Approval will be based on these guidelines. After review and approval, submitted forms will be accepted as substitutes for official IRS forms.
<b>1.1.2 Unique Forms</b>	Certain unique specialized forms require the use of other additional publications to supplement this publication. See Part 4.
<b>1.1.3 Scope</b>	The IRS accepts quality substitute tax forms that are consistent with the official forms and do not have an adverse impact on our processing. The IRS Substitute Forms Unit administers the formal acceptance and processing of these forms nationwide. While this program deals primarily with paper documents, it also reviews for approval other processing and filing forms such as those used in electronic filing.



Only those substitute forms that comply fully with the requirements are acceptable. This revenue procedure is updated as required to reflect pertinent tax year form changes and to meet processing and/or legislative requirements.

**1.1.4  
Forms Covered by This  
Revenue Procedure**

The following types of forms are covered by this revenue procedure:

- IRS tax forms and their related schedules,
- Worksheets as they appear in instruction packages,
- Applications for permission to file returns electronically and forms used as required documentation for electronically filed returns,
- Powers of Attorney,
- Over-the-counter estimated tax payment vouchers, and
- Forms and schedules relating to partnerships, exempt organizations, and employee plans.

**1.1.5  
Forms Not Covered by  
This Revenue Procedure**

The following types of forms are not covered by this revenue procedure:

- W-2 and W-3 (see Publication 1141 for information on these forms),
- W-2c and W-3c (see Publication 1223 for information on these forms),
- 941 and Schedule B (Form 941) (see Publication 4436 for information on these forms),
- 1096, 1098 series, 1099 series, 5498 series, W-2G, and 1042-S (see Publication 1179 for information on these forms),
- Federal Tax Deposit (FTD) coupons, which may not be reproduced,
- Forms 1040-ES (OCR) and 1041-ES (OCR), which may not be reproduced,
- Forms 5500, 5500-EZ, and associated schedules (see the Department of Labor website at [www.dol.gov](http://www.dol.gov) for information on these forms),
- Requests for information or documentation initiated by the IRS,
- Forms used internally by the IRS,
- State tax forms,
- Forms developed outside the IRS, and
- General Instructions and Specific Instructions (not reviewed by the Substitute Forms Program Unit).

**Section 1.2 – IRS Contacts**

**1.2.1  
Where To Send  
Substitute Forms**

Send your substitute forms for approval to the following offices (do not send forms with taxpayer data):

<b>Form</b>	<b>Office and Address</b>
BSA Forms (FINCEN Family and TD F 90-22 Family) and Form 8300	IRS Computing Center BSA Compliance Branch P.O. Box 32063 Detroit, MI 48232-0063
5500, 5500-EZ, and Schedules A through E, G, H, I, P, R, SSA, and T for Form 5500	Check EFAST information at the Department of Labor’s website at <a href="http://www.efast.dol.gov">www.efast.dol.gov</a>
All others (except W-2, W-2c, W-3, W-3c, 941, Schedule B (Form 941), 1096, 1098, 1099, 5498, W-2G, and 1042-S)	Internal Revenue Service Attn: Substitute Forms Program SE:W:CAR:MP:T:T:SP 1111 Constitution Avenue, NW Room 6406 Washington, DC 20224

In addition, the Substitute Forms Program Unit can be contacted via email at [\\*taxforms@irs.gov](mailto:*taxforms@irs.gov). Please enter “Substitute Forms” on the subject line.

For questions about Forms W-2 and W-3, refer to IRS Publication 1141, General Rules and Specifications for Substitute Forms W-2 and W-3. For Forms W-2c and W-3c, refer to IRS Publication 1223, General Rules and Specifications for Substitute Forms W-2c and W-3c. For Forms 941 and Schedule B (Form 941), refer to IRS Publication 4436, General Rules and Specifications for Substitute Form 941 and Schedule B (Form 941). For Forms 1096, 1098, 1099, 5498, W-2G, and 1042-S, refer to IRS Publication 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, W-2G, and 1042-S.

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## **Section 1.3 – What’s New**

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### **1.3.1 What’s New**

The following changes have been made to the Revenue Procedure for 2005:

- For timeliness, to save printing expenses, and because users of Publication 1167 have access to the Internet and the IRS website, Publication 1167 will now only be released for downloading from the IRS website. However, the original revenue procedure will continue to be released in hard copy in the Internal Revenue Bulletin.
  - Sections 2.3.7 through 2.3.9 have been added to provide specifications and approval information for software developers who produce lockbox vouchers. Also, an example of the format is provided in Exhibit C.
  - The format for Schedule K-1 of Form 1041 has been changed and specifications have been included in Section 7.1. Among other changes, all lines must now be included on the substitute schedule.
  - Section 7.3 of Publication 1167 has been redesignated to include guidelines for substitute Forms 8655. Guidelines for Forms 5471 and 5472 (old Section 7.3) have been eliminated as these forms no longer require unique specifications.
  - The IRS Tax Fax Program has been eliminated. References to the program in Publication 1167 have been deleted.
  - The Exhibits section has been changed and updated. Some of the exhibits have been eliminated, some have been added, and some have been re-labeled.
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## **Section 1.4 – Definitions**

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### **1.4.1 Substitute Form**

A tax form (or related schedule) that differs in any way from the official version and is intended to replace the form that is printed and distributed by the IRS. This term also covers those approved substitute forms exhibited in this revenue procedure.

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### **1.4.2 Printed/Preprinted Form**

A form produced using conventional printing processes, or a printed form which has been reproduced by photocopying or a similar process.

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### **1.4.3 Preprinted Pin-Fed Form**

A printed form that has marginal perforations for use with automated and high-speed printing equipment.

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### **1.4.4 Computer Prepared Substitute Form**

A preprinted form in which the taxpayer’s tax entry information has been inserted by a computer, computer printer, or other computer-type equipment such as word processing equipment.

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**1.4.5  
Computer Generated Substitute  
Tax Return or Form**

A tax return or form that is entirely designed and printed using a computer printer such as a laser printer, etc., on plain white paper. This return or form must conform to the physical layout of the corresponding IRS form, although the typeface may differ. The text should match the text on the officially printed form as closely as possible. Condensed text and abbreviations will be considered on a case-by-case basis.

**Exception.** All jurats (perjury statements) must be reproduced verbatim.

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**1.4.6  
Manually Prepared  
Form**

A preprinted reproduced form in which the taxpayer's tax entry information is entered by an individual using a pen, pencil, typewriter, or other non-automated equipment.

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**1.4.7  
Graphics**

Parts of a printed tax form that are not tax amount entries or required text. Examples of graphics are line numbers, captions, shadings, special indicators, borders, rules, and strokes created by typesetting, photographics, photocomposition, etc.

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**1.4.8  
Acceptable Reproduced  
Form**

A legible photocopy of an original form.

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**1.4.9  
Supporting Statement  
(Supplemental Schedule)**

A document providing detailed information to support a line entry on an official or approved substitute form and filed with (attached to) a tax return.

**Note.** A supporting statement is not a tax form and does not take the place of an official form.

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**1.4.10  
Specific Form Terms**

The following specific terms are used throughout this revenue procedure in reference to all substitute forms: format, sequence, line reference, item caption, and data entry field.

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**1.4.11  
Format**

The overall physical arrangement and general layout of a substitute form.

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**1.4.12  
Sequence**

Sequence is an integral part of the total format requirement. The substitute form should show the same numeric and logical placement order of data, as shown on the official form.

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**1.4.13  
Line Reference**

The line numbers, letters, or alphanumerics used to identify each captioned line on an official form. These line references are printed to the immediate left of each caption and/or data entry field.

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**1.4.14  
Item Caption**

The text on each line of a form, which identifies the data required.

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**1.4.15  
Data Entry Field**

Designated areas for the entry of data such as dollar amounts, quantities, responses and checkboxes.

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**1.4.16  
Advance Draft**

A draft version of a new or revised form may be posted to the IRS website for information purposes. Substitute forms may be submitted based on these advance drafts, but any company that receives forms approval based on these early drafts is responsible for monitoring and revising forms to mirror any revisions in the final forms provided by the IRS.

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**Section 1.5 – Agreement**

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**1.5.1  
Important Stipulation  
of This Revenue Procedure**

Any person or company who uses substitute forms and makes all or part of the changes specified in this revenue procedure agrees to the following stipulations:

- The IRS presumes that any required changes are made in accordance with these procedures and will not be disruptive to the processing of the tax return.
  - Should any of the changes be disruptive to the IRS’s processing of the tax return, the person or company agrees to accept the determination of the IRS as to whether the form may continue to be filed.
  - The person or company agrees to work with the IRS in correcting noted deficiencies. Notification of deficiencies may be made by any combination of fax, letter, email, or phone contact and may include the return of unacceptable forms for the re-submission of acceptable forms.
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## **Part 2 General Guidelines for Submissions and Approvals**

**Section 2.1 – General Specifications for Approval**

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**2.1.1  
Overview**

If you produce any tax forms using IRS guidelines on permitted changes, you can generate your own substitutes without further approval. If your changes are more extensive, you must get IRS approval before using substitute forms. More extensive changes can include the use of typefaces and sizes other than those found on the official form and the condensing of line item descriptions to save space.

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**2.1.2  
Email Submissions**

The Substitute Forms Program now accepts substitute forms submissions via email. The email address is [\\*taxforms@irs.gov](mailto:*taxforms@irs.gov). Please include “PDF Submissions” on the subject line.

Follow these guidelines.

- Your submission should include all the forms you wish to submit in one attached pdf file. Do not email each form individually. Always include an approval check sheet.
- Emailing pdf submissions will not expedite review and approval. The pdf submissions will be assigned a control number and put in queue along with mailed-in paper submissions.
- Small (fewer than 15 forms), rather than large submissions should expedite processing.
- Optimize pdf files before submitting.
- The maximum allowable email attachment is 2.5 megabytes.
- The Substitute Forms Unit accepts zip files.
- An approval check sheet listing the forms you are submitting should always be included in the pdf file along with the forms.
- To alleviate delays during the peak time of September through December, submit advance draft forms as early as possible.

If the guidelines are not followed, you may need to resubmit.

In addition to submitting forms via email, you may continue to send your submissions to:

Internal Revenue Service  
SE:W:CAR:MP:T:T:SP  
Attn: Substitute Forms Program  
1111 Constitution Avenue, NW  
Room 6406  
Washington, DC 20024

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### 2.1.3 Expediting the Process

Follow these basic guidelines for expediting the process.

- Always include a check sheet for the Substitute Forms Unit's response.
  - Follow Publication 1167 for general substitute form guidelines. Follow the specialized publications produced by the Substitute Forms Unit for other specific forms.
  - To spread out the workload, send in draft versions of substitute forms when they are posted.  
**Note.** Be sure to make any changes to approved drafts before releasing final versions.
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### 2.1.4 Schedules

Schedules are considered to be an integral part of a complete tax return. A schedule may be included as part of a form or printed separately.

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### 2.1.5 Examples of Schedules That Must Be Submitted with the Return

Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, is an example of this situation. Its Schedules A through U have pages numbered as part of the basic return. For Form 706 to be approved, the entire form including Schedules A through U must be submitted.

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### 2.1.6 Examples of Schedules That Can Be Submitted Separately

However, Schedules 1, 2, and 3 of Form 1040A are examples of schedules that can be submitted separately. Although printed by the IRS as a supplement to Form 1040A, none of these schedules are required to be filed with Form 1040A. These schedules may be separated from Form 1040A and submitted as substitute forms.

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### 2.1.7 Use and Distribution of Unapproved Forms

The IRS is continuing a program to identify and contact tax return preparers, forms developers, and software publishers who use or distribute unapproved forms that do not conform to this revenue procedure. The use of unapproved forms hinders the processing of the returns.

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## Section 2.2 – Highlights of Permitted Changes and Requirements

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### 2.2.1 Methods of Reproducing Internal Revenue Service Forms

Official IRS tax forms are supplied by the IRS. These forms may be provided in the taxpayer's tax package or over-the-counter. Forms can also be picked up at many IRS offices, post offices, or libraries, and are available on CD-ROM and online at [www.irs.gov](http://www.irs.gov).

There are methods of reproducing IRS printed tax forms suitable for use as substitutes without prior approval.

- You can photocopy most tax forms and use them instead of the official ones. The entire substitute form, including entries, must be legible.
- You can reproduce any current tax form as cut sheets, snap sets, and marginally punched, pin-fed forms as long as you use an official IRS version as the master copy.
- You can reproduce a form that requires a signature as a valid substitute form. Many tax forms (including returns) have a taxpayer signature requirement as part of the form layout. The jurat/perjury statement/signature line areas must be retained and worded exactly as on

the official form. The requirement for a signature, by itself, does not prohibit a tax form from being properly computer-generated.

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## Section 2.3 – Vouchers

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### 2.3.1 Overview

All payment vouchers (Forms 940-V, 940-EZ(V), 941-V, 943-V, 945-V, 1040-V, and 2290-V) must be reproduced in conjunction with their forms. Substitute vouchers must be the same size as the officially printed vouchers. Vouchers that are prepared for printing on a laser printer may include a scan line.

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### 2.3.2 Scan Line Specifications

	NNNNNNNNN	AA	AAAA	NN	N	NNNNNN	NNN
<i>Item:</i>	A	B	C	D	E	F	G
A.	Social Security Number/Employer Identification Number (SSN/EIN) has 9 numeric spaces.						
B.	Check Digits have 2 alpha spaces.						
C.	Name Control has 4 alphanumeric spaces.						
D.	Master File Tax (MFT) Code has 2 numeric spaces (see below).						
E.	Taxpayer Identification Number (TIN) Type has 1 numeric space (see below).						
F.	Tax Period has 6 numeric spaces in year/month format (YYYYMM).						
G.	Transaction Code has 3 numeric spaces.						

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### 2.3.3 MFT Code

Code Number for Forms:

- 1040 family – 30;
  - 940/940-EZ – 10;
  - 941 – 01;
  - 943 – 11;
  - 945 – 16; and
  - 2290 – 60.
- 

### 2.3.4 TIN Type

Type Number for:

- Form 1040 family – 0; and
  - Forms 940, 940-EZ, 941, 943, 945, and 2290 – 2.
- 

### 2.3.5 Voucher Size

The voucher size must be exactly 8.0" x 3.25" (Forms 1040-ES and 1041-ES must be 7.625" x 3.0"). The document scan line must be vertically positioned 0.25 inches from the bottom of the scan line to the bottom of the voucher. The last character on the right of the scan line must be placed 3.5 inches from the right leading edge of the document. The minimum required horizontal clear space between characters is .014 inches. The line to be scanned must have a clear band 0.25 inches in height from top to bottom of the scan line, and from border to border of the document. "Clear band" means no printing except for dropout ink.

---

### 2.3.6 Print and Paper Weight

Vouchers must be imaged in black ink using OCR A, OCR B, or Courier 10. These fonts may not be mixed in the scan line. The horizontal character pitch is 10 CPI. The preferred paper weight is 20 to 24 pound OCR bond.

---

**2.3.7  
Specifications for Software  
Developers**

Certain vouchers may be reproduced for use in the IRS lockbox system. These include the 1040 family, the 940 family, and 2290 vouchers. Software developers must follow these specific guidelines to produce scannable vouchers strictly for lockbox purposes. Also see Exhibit C.

- The total depth must be 3.25 inches.
- The scan line must be .5 inches from the bottom edge and 1.75 inches from the left edge of the voucher and left-justified.
- Software developers vouchers must be 8.5 inches wide (instead of 8 inches with a cut line). Therefore, no vertical cut line is required.
- Scan line positioning must be exact.
- Do not use the over-the-counter format voucher and add the scan line to it.
- All scanned data must be in 12-point OCR A font.
- The 4-digit NACTP ID code should be placed under the payment indicator arrow.
- Windowed envelopes must not display the scan line in order to avoid disclosure and privacy issues.

**Note.** All software developers must ensure that their software uses OCR A font so taxpayers will be able to print the vouchers in the correct font.

**2.3.8  
Specific Line Positions**

Follow these line specifications for entering taxpayer data in the lockbox vouchers.

	<b>Start Row</b>	<b>Start Column</b>	<b>Width</b>	<b>End Column</b>
Line Specifications for Taxpayer Data:				
Taxpayer Name	56	6	36	41
Taxpayer Address, Apt.	57	6	36	41
Taxpayer City, State, ZIP	58	6	36	41
Line Specifications for Mail To Data:				
Mail Address	57	43	38	80
Mail City, State, ZIP	58	43	38	80
Line Specifications for:				
Scan Line	63	26	n/a	n/a

### 2.3.9 How to Get Approval

To receive approval, please send 50 samples of your vouchers for testing to the following address.

Internal Revenue Service  
Attn: Doris Bethea, C5-163  
5000 Ellin Rd.  
Lanham, MD 20706

For further information, contact either Doris Bethea, [Doris.E.Bethea@irs.gov](mailto:Doris.E.Bethea@irs.gov), at 202-283-0218 or Leticia Guzman, [Leticia.R.Guzman@irs.gov](mailto:Leticia.R.Guzman@irs.gov), at 202-283-0365.

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## Section 2.4 – Restrictions on Changes

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### 2.4.1 What You Cannot Do to Forms Suitable for Substitute Tax Forms

You cannot, without prior IRS approval, change any IRS tax form or use your own (non-approved) versions including graphics, unless specifically permitted by this revenue procedure.

You cannot adjust any of the graphics on Forms 1040, 1040A, and 1040EZ (except in those areas specified in Part 5 of this revenue procedure) without prior approval from the IRS Substitute Forms Unit.

You cannot use your own preprinted label on tax returns filed with the IRS unless you fully comply with the criteria specified in Section 3.6.3 on the use of pre-addressed IRS labels.

---

## Section 2.5 – Guidelines for Obtaining IRS Approval

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### 2.5.1 Basic Requirements

Preparers who submit substitute privately designed, privately printed, computer generated, or computer prepared tax forms must develop these substitutes using the guidelines established in this part. These forms, unless excepted by the revenue procedure, must be approved by the IRS before being filed.

---

### 2.5.2 Conditional Approval Based on Advanced Drafts

The IRS cannot grant final approval of your substitute form until the official form has been published. However, the IRS posts advance draft forms in the “Tax Professionals” area of its website at:

[www.irs.gov/taxpros/lists/0,,id=97782,00.html](http://www.irs.gov/taxpros/lists/0,,id=97782,00.html)

We encourage submission of proposed substitutes of these advance draft forms and will grant conditional approval based solely on these early drafts. These advance drafts are subject to significant change before forms are finalized. If these advance drafts are used as the basis for your substitute forms, you will be responsible for subsequently updating your final forms to agree with the final official version. These revisions need not be submitted for further approval.

**Note.** Approval of forms based on advance drafts will not be granted after the final version of an official form is published.

---

### 2.5.3 Submission Procedures

Follow these general guidelines when submitting substitute forms for approval.

- Any alteration of forms must be within the limits acceptable to the IRS. It is possible that, from one filing period to another, a change in law or a change in internal need (processing, audit, compliance, etc.) may change the allowable limits for the alteration of the official form.
- When specific approval of any substitute form (other than those specified in Part 1, Section 1.2 – IRS Contacts) is desired, a sample of the proposed substitute form should be



forwarded for consideration via email or by letter to the Substitute Forms Unit at the address shown in Section 1.2.

- Schedules and forms (for example, Forms 3468, 4136, etc.) that can be used with more than one type of return (for example, 1040, 1041, 1120, etc.) should be submitted only once for approval, regardless of the number of different tax returns with which they may be associated. Also, all pages of multi-page forms or returns should be submitted in the same package.
- 

#### **2.5.4 Approving Offices**

Because only the Substitute Forms Unit is authorized to approve substitute forms, unnecessary delays may occur if forms are sent to the wrong office. The Substitute Forms Unit may then coordinate the response with the initiator responsible for revising that particular form. Such coordination may include allowing the initiator to officially approve the form. No IRS office is authorized to allow deviations from this revenue procedure.

---

#### **2.5.5 IRS Review of Software Programs, etc.**

The IRS does not review or approve the logic of specific software programs, nor does the IRS confirm the calculations on the forms produced by these programs. The accuracy of the program remains the responsibility of the software package developer, distributor, or user.

The Substitute Forms Unit is primarily concerned with the pre-filing quality review of the final forms that are expected to be processed by IRS field offices. For this purpose, you should submit forms without including any taxpayer information such as names, addresses, monetary amounts, etc.

---

#### **2.5.6 When To Send Proposed Substitutes**

Proposed substitutes, which are required to be submitted per this revenue procedure, should be sent as much in advance of the filing period as possible. This is to allow adequate time for analysis and response.

---

#### **2.5.7 Accompanying Statement**

When submitting sample substitutes, you should include an accompanying statement that lists each form number and its changes from the official form (position, arrangement, appearance, line numbers, additions, deletions, etc.). With each of the items you should include a detailed reason for the change.

When requesting approval, please include a check sheet. Check sheets expedite the approval process. The check sheet may look like the example in Exhibit D displayed in the back of this procedure or may be one of your own design. Please include your fax number on the check sheet.

---

#### **2.5.8 Approval/Non- Approval Notice**

The Substitute Forms Unit will fax the check sheet or an approval letter to the originator if a fax number has been provided, unless:

- The requester has asked for an email response or for a formal letter; or
- Significant corrections to the submitted forms are required.

Notice of approval may impose qualifications before using the substitutes. Notices of unapproved forms may specify the changes required for approval and require re-submission of the form(s) in question. Telephone contact is used when appropriate.

---

#### **2.5.9 Duration of Approval**

Most signature tax returns and many of their schedules and related forms have the tax (liability) year printed in the upper right corner. Approvals for these forms are usually good for one calendar year (January through December of the year of filing). Quarterly tax forms in the 940 series and Form 720 require approval for any quarter in which the form has been revised.

Because changes are made to a form every year, each new filing season generally requires a new submission of a substitute form. Very rarely is updating the preprinted year the only change made to a form.

---

**2.5.10  
Limited  
Continued Use of an  
Approved Change**

Limited changes approved for one tax year may be allowed for the same form in the following tax year. Examples are the use of abbreviated words, revised form spacing, compressed text lines, and shortened captions, etc., which do not change the integrity of lines or text on the official forms.

If substantial changes are made to the form, new substitutes must be submitted for approval. If only minor editorial changes are made to the form, it is not subject to review. It is the responsibility of each vendor who has been granted permission to use substitute forms to monitor and revise forms to mirror any revisions to official forms made by the Service. If there are any questions, please contact the Substitute Forms Unit.

---

**2.5.11  
When Approval  
Is Not Required**

If you received written approval for a specific change on a form last year, you may make the same change this year if the item is still present on the official form.

- The new substitute form does not have to be submitted to the IRS and written approval is not required.
- However, the new substitute form must conform to the official current year IRS form in other respects: date, Office of Management and Budget (OMB) approval number, attachment sequence number, Paperwork Reduction Act Notice statement, arrangement, item caption, line number, line reference, data sequence, etc.
- The new substitute must also comply with changes to this revenue procedure. The procedure may have eliminated, added to, or otherwise changed the guideline(s) that affected the change approved in the prior year.
- An approved change is authorized only for the period from a prior tax year substitute form to a current tax year substitute form.

**Exception.** Forms with temporary, limited, or interim approvals (or with approvals that state a change is not allowed in any other tax year) are subject to review in subsequent years.

---

**2.5.12  
Continuous-  
Use Forms**

Forms without preprinted tax years are called “continuous-use” forms. Continuous-use forms are revised when a legislative change affects the form or a change will facilitate processing. These forms may have revision dates that are valid for longer than one year.

---

**2.5.13  
IRS Website  
Posting Schedule**

A schedule of print dates (for annual and quarterly forms) and most current revision dates (for continuous-use forms) are maintained on the IRS website. The Tax Products Posting Schedule can be found at [www.irs.gov/formspubs/article/0,,id=103641,00.html](http://www.irs.gov/formspubs/article/0,,id=103641,00.html). See Section 4.3.2.

---

**2.5.14  
Required Copies**

Generally, you must send us one copy of each form being submitted for approval. However, if you are producing forms for different computer systems (for example, IBM compatible vs. Macintosh) or different types of printers (for example, laser vs. inkjet), and these forms differ **significantly** in appearance, submit one copy for each type of system or printer.

---

**2.5.15  
Requestor’s  
Responsibility**

Following receipt of an initial approval for a substitute forms package or a software output program to print substitute forms, it is the responsibility of the originator (designer or distributor) to provide client firms or individuals with forms that meet the IRS’s requirements for continuing acceptability. Examples of this responsibility include:

- Using the prescribed print paper, font size, legibility, state tax data deletion, etc., and

- Informing all users of substitute forms of the legal requirements of the Paperwork Reduction Act Notice, which is generally found in the instructions for the official IRS forms.
- 

#### 2.5.16 Source Code

The Substitute Forms Unit will assign a unique source code to each firm that submits substitute paper forms for approval. This source code will be a permanent identifier that should be used on every submission by a particular firm.

The source code consists of three alpha characters and should generally be printed at the bottom left margin area on the first page of every approved substitute form.

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## Section 2.6 – Office of Management and Budget (OMB) Requirements for All Substitute Forms

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#### 2.6.1 OMB Requirements for All Substitute Forms

There are legal requirements of the Paperwork Reduction Act of 1995 (The Act). Public Law 104-13 requires the following.

- OMB approve all IRS tax forms that are subject to the Act.
- Each IRS form contains (in the upper right corner) the OMB number, if assigned.
- Each IRS form (or its instructions) states why the IRS needs the information, how it will be used, and whether or not the information is required to be furnished.

This information must be provided to every user of official or substitute tax forms.

---

#### 2.6.2 Application of the Paperwork Reduction Act

On forms that have been assigned OMB numbers:

- All substitute forms must contain in the upper right corner the OMB number that is on the official form, and
  - The required format is: OMB No. 1545-XXXX (Preferred) or OMB # 1545-XXXX (Acceptable).
- 

#### 2.6.3 Required Explanation to Users

You must inform the users of your substitute forms of the IRS use and collection requirements stated in the instructions for official IRS forms.

- If you provide your users or customers with the official IRS instructions, each form must retain either the Paperwork Reduction Act Notice (or Disclosure, Privacy Act, and Paperwork Reduction Act Notice), or a reference to it as the IRS does on the official forms (usually in the lower left corner of the forms).
- This notice reads, in part, “We ask for the information on this form to carry out the Internal Revenue laws of the United States....”

**Note.** If the IRS instructions are not provided to users of your forms, the exact text of the Paperwork Reduction Act Notice (or Disclosure, Privacy Act, and Paperwork Reduction Act Notice) must be furnished separately or on the form.

---

#### 2.6.4 Finding the OMB Number and Paperwork Reduction Act Notice

The OMB number and the Paperwork Reduction Act Notice, or references to it, may be found printed on an official form (or its instructions). The number and the notice are included on the official paper format and in other formats produced by the IRS (for example, compact disc (CD) or Internet download).

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## Part 3

# Physical Aspects and Requirements

### Section 3.1 – General Guidelines for Substitute Forms

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#### 3.1.1 General Information

The official form is the standard. Because a substitute form is a variation from the official form, you should know the requirements of the official form for the year of use before you modify it to meet your needs. The IRS provides several means of obtaining the most frequently used tax forms. These include the Internet and CD-ROM (see Part 4).

---

#### 3.1.2 Design

Each form must follow the design of the official form as to format arrangement, item caption, line numbers, line references, and sequence.

---

#### 3.1.3 State Tax Information Prohibited

Generally, state tax information must not appear on the federal tax return, associated form, or schedule that is filed with the IRS. Exceptions occur when amounts are claimed on, or required by, the federal return (for example, state and local income taxes, on Schedule A of Form 1040).

---

#### 3.1.4 Vertical Alignment of Amount Fields

IF a form is to be...	THEN...
Manually prepared	<ol style="list-style-type: none"><li>1. The entry column must have a vertical line or some type of indicator in the amount field to separate dollars from cents.</li><li>2. The cents column must be at least 3/10" wide.</li></ol>
Computer generated	<ol style="list-style-type: none"><li>1. Vertically align the amount entry fields where possible.</li><li>2. Use one of the following amount formats:<ol style="list-style-type: none"><li>a) 0,000,000, or</li><li>b) 0,000,000.00.</li></ol></li></ol>
Computer prepared	<ol style="list-style-type: none"><li>1. You may remove the vertical line in the amount field that separates dollars from cents.</li><li>2. Use one of the following amount formats:<ol style="list-style-type: none"><li>a) 0,000,000, or</li><li>b) 0,000,000.00.</li></ol></li></ol>

---

#### 3.1.5 Attachment Sequence Number

Many individual income tax forms have a required "attachment sequence number" located just below the year designation in the upper right corner of the form. The IRS uses this number to indicate the order in which forms are to be attached to the tax return for processing. Some of the attachment sequence numbers may change from year to year.

The following applies to computer prepared forms.

- The sequence number may be printed in no less than 12-point boldface type and centered below the form's year designation.
  - The sequence number may also be placed following the year designation for the tax form and separated with an asterisk.
  - The actual number may be printed without labeling it the "Attachment Sequence Number."
-

### 3.1.6 Assembly of Forms

If developing software or forms for use by others, please inform your customers/clients that the order in which the forms are arranged may affect the processing of the package. A return must be arranged in the order indicated below.

IF the form is...	THEN the sequence is...
1040	<ul style="list-style-type: none"><li>• Form 1040, and</li><li>• Schedules and forms in attachment sequence number order.</li></ul>
Any other tax return (Form 1120, 1120S, 1065, 1041, etc.)	<ul style="list-style-type: none"><li>• The tax returns,</li><li>• Directly associated schedules (Schedule D, etc.),</li><li>• Directly associated forms,</li><li>• Additional schedules in alphabetical order, and</li><li>• Additional forms in numerical order.</li></ul>

Supporting statements should then follow in the same sequence as the forms they support. Additional information required should be attached last.

In this way, the forms are received in the order in which they must be processed. If you do not send returns to us in order, processing may be delayed.

---

### 3.1.7 Paid Preparer's Information and Signature Area

On Forms 1040EZ, 1040A, 1040, and 1120, etc., the "Paid Preparer's Use Only" area may not be rearranged or relocated. You may, however, add three extra lines to the paid preparer's address area without prior approval. This applies to other tax forms as well.

---

### 3.1.8 Some Common Reasons for Requiring Changes to Substitute Forms

Some reasons that substitute forms may require changes include the following.

- Failing to preprint certain amounts in entry spaces.
  - Shading areas incorrectly.
  - Failing to include a reference to the location of the Paperwork Reduction Act Notice.
  - Not including parentheses for losses.
  - Not including "Attach Statement" when appropriate.
  - Including line references or entry spaces that don't match the official form.
  - Printing text that is different from the official form.
  - Altering the jurat.
- 

## Section 3.2 – Paper

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### 3.2.1 Paper Content

The paper must be:

- Chemical wood writing paper that is equal to or better than the quality used for the official form,
  - At least 18 pound (17" x 22", 500 sheets), or
  - At least 50 pound offset book (25" x 38", 500 sheets).
- 

### 3.2.2 Paper with Chemical Transfer Properties

There are several kinds of paper prohibited for substitute forms. These are:

1. Carbon-bonded paper, and
  2. Chemical transfer paper except when the following specifications are met:
    - a. Each ply within the chemical transfer set of forms must be labeled, and
    - b. Only the top ply (ply one and white in color), the one that contains chemical on the back only (coated back), may be filed with the IRS.
-

**3.2.3  
Example**

A set containing three plies would be constructed as follows: ply one (coated back), “Federal Return, File with IRS”; ply two (coated front and back), “Taxpayer’s copy”; and ply three (coated front), “Preparer’s copy.”

The file designation, “Federal Return, File with IRS” for ply one, must be printed in the bottom right margin (just below the last line of the form) in 12-point boldface type.

It is not mandatory, but recommended, that the file designation “Federal Return, File with IRS” be printed in a contrasting ink for visual emphasis.

---

**3.2.4  
Carbon Paper**

Do not attach any carbon paper to any return you file with the IRS.

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**3.2.5  
Paper and Ink  
Color**

We prefer that the color and opacity of paper substantially duplicates that of the original form. This means that your substitute must be printed in black ink and may be on white or on the colored paper the IRS form is printed on. Forms 1040A and 1040 substitute reproductions may be in black ink without the colored shading. The only exception to this rule is Form 1041-ES, which should always be printed with a very light gray shading in the color screened area. This is necessary to assist us in expeditiously separating this form from the very similar Form 1040-ES.

---

**3.2.6  
Page Size**

Substitute or reproduced forms and computer prepared/generated substitutes may be the same size as the official form or they may be the standard commercial size (8 1/2" x 11"). The thickness of the stock cannot be less than .003 inches.

---

**Section 3.3 – Printing**

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**3.3.1  
Printing Medium**

The private printing of all substitute tax forms must be by conventional printing processes, photocopying, computer graphics, or similar reproduction processes.

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**3.3.2  
Legibility**

All forms must have a high standard of legibility as to printing, reproduction, and fill-in matter. Entries of taxpayer data may be no smaller than eight points. The IRS reserves the right to reject those with poor legibility. The ink and printing method used must ensure that no part of a form (including text, graphics, data entries, etc.) develops “smears” or similar quality deterioration. This includes any subsequent copies or reproductions made from an approved master substitute form, either during preparation or during IRS processing.

---

**3.3.3  
Type Font**

Many federal tax forms are printed using “Helvetica” as the basic type font. We request that you use this type font when composing substitute forms.

---

**3.3.4  
Print Spacing**

Substitute forms should be printed using a 6 lines/inch vertical print option. They should also be printed horizontally in 10 pitch pica (that is, 10 print characters per inch) or 12 pitch elite (that is, 12 print positions per inch).

---

**3.3.5  
Image Size**

The image size of a printed substitute form should be as close as possible to that of the official form. You may omit any text on both computer prepared and computer generated forms that is solely instructional.

---

**3.3.6  
Title Area Changes**

To allow a large top margin for marginal printing and more lines per page, the title line(s) for all substitute forms (not including the form's year designation and sequence number, when present), may be photographically reduced by 40 percent or reset as one line of type. When reset as one line, the type size may be no smaller than 14-point. You may omit "Department of the Treasury, Internal Revenue Service" and all reference to instructions in the form's title area.

---

**3.3.7  
Remove  
Government Printing  
Office Symbol and IRS  
Catalog Number**

When privately printing substitute tax forms, the Government Printing Office (GPO) symbol and/or jacket number must be removed. In the same place using the same type size, print the Employer Identification Number (EIN), the Social Security Number (SSN) of the printer or designer, or the IRS assigned source code. (We prefer this last number be printed in the lower left area of the first page of each form.) Also, remove the IRS Catalog Number (Cat. No.) if one is present in the bottom center margin, and the recycle symbol if the substitute is not produced on recycled paper.

---

**3.3.8  
Printing on One  
Side of Paper**

While it is preferred that both sides of the paper be used for substitutes and reproduced forms, resulting in the same page arrangement as that of the official form or schedule, the IRS will accept your forms if only one side of the paper is used.

---

**3.3.9  
Photocopy  
Equipment**

The IRS does not undertake to approve or disapprove the specific equipment or process used in reproducing official forms. Photocopies of forms must be entirely legible and satisfy the conditions stated in this and other revenue procedures.

---

**3.3.10  
Reproductions**

Reproductions of official forms and substitute forms that do not meet the requirements of this revenue procedure may not be filed instead of the official forms. Illegible photocopies are subject to being returned to the filer for re-submission of legible copies.

---

**3.3.11  
Removal of  
Instructions**

You may remove references to instructions. No prior approval is needed.

**Exception.** The words "For Paperwork Reduction Act Notice, see instructions" must be retained or a similar statement indicating the location must be provided on each form.

---

**Section 3.4 – Margins**

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**3.4.1  
Margin Size**

The format of a reproduced tax form when printed on the page must have margins on all sides at least as large as the margins on the official form. This allows room for IRS employees to make necessary entries on the form during processing.

- A 1/2-inch to 1/4-inch margin must be maintained across the top, bottom, and both sides of all substitute forms.
  - The marginal, perforated strips containing pin-fed holes must be removed from all forms prior to filing with the IRS.
- 

**3.4.2  
Marginal Printing**

Prior approval is not required for the marginal printing allowed when printed on an official form or on a photocopy of an official form.

- With the exception of the actual tax forms (for example, Forms 1040, 1040A, 1040EZ, 1120, 940, 941, etc.), you may print in the left vertical margin and in the left half of the bottom margin.
  - Printing is never allowed in the top right margin of the tax form (for example, Forms 1040, 1040A, 1040EZ, 1120, 940, 941, etc.). The Service uses this area to imprint a Document Locator Number for each return. There are no exceptions to this requirement.
- 

## **Section 3.5 – Examples of Approved Formats**

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### **3.5.1 Examples of Approved Formats From the Exhibits**

Two sets of exhibits (Exhibits A-1 and 2; B-1 and 2) are at the end of this revenue procedure as examples of how these guidelines may be used. Vertical spacing is six (6) lines to the inch. A combination of upper-case and lower-case print font is acceptable in producing substitute forms.

The same logic may be applied to any IRS form that is normally reproducible as a substitute form, with the exception of the tax return forms as discussed elsewhere. These exhibits may be from a prior year and are not to be used as current substitute forms.

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## **Section 3.6 – Miscellaneous Information for Substitute Forms**

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### **3.6.1 Filing Substitute Forms**

To be acceptable for filing, a substitute form must print out in a format that will allow the filer to follow the same instructions as for filing official forms. These instructions are in the taxpayer's tax package or in the related form instructions. The form must be on the appropriately sized paper, legible, and include a jurat where one appears on the published form.

---

### **3.6.2 Caution to Software Publishers**

The IRS has received returns produced by software packages with approved output where either the form heading was altered or the lines were spaced irregularly. This produces an illegible or unrecognizable return or a return with the wrong number of pages. We realize that many of these problems are caused by individual printer differences but they may delay input of return data and, in some cases, generate correspondence to the taxpayer. Therefore, in the instructions to the purchasers of your product, both individual and professional, please stress that their returns will be processed more efficiently if they are properly formatted. This includes:

- Having the correct form numbers and titles at the top of the return, and
  - Submitting the same number of pages as if the form were an official IRS form with the line items on the proper pages.
- 

### **3.6.3 Use Pre-Addressed IRS Label**

If you are a practitioner filling out a return for a client or a software publisher who prints instruction manuals, stress the use of the pre-addressed label provided in the tax package the IRS sent to the taxpayer, when available. The use of this label (or its precisely duplicated label information) is extremely important for the efficient, accurate, and economical processing of a taxpayer's return. Labeled returns indicate that a taxpayer is an established filer and permits the IRS to automatically accelerate processing of those returns. This results in quicker refunds, less manual review by IRS functions, and greater accuracy in names, addresses, and postal deliveries.

---

### **3.6.4 Caution to Producers of Software Packages**

If you are producing a software package that generates name and address data onto the tax return, do not under any circumstances program either the IRS preprinted check digits or a practitioner derived name control to appear on any return prepared and filed with the IRS.

---



### 3.6.5 Programming to Print Forms

Whenever applicable:

- Use only the following label information format for single filers:  
JOHN Q. PUBLIC  
310 OAK DRIVE  
HOMETOWN, STATE 94000
  - Use only the following information for joint filers:  
JOHN Q. PUBLIC  
MARY I. PUBLIC  
310 OAK DRIVE  
HOMETOWN, STATE 94000
- 

## Part 4 Additional Resources

### Section 4.1 – Guidance From Other Revenue Procedures

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#### 4.1.1 General

Guidance for the substitute tax forms not covered in this revenue procedure and the revenue procedures that govern their use are as follows.

- Revenue Procedure 2005-65, IRS Publication 1141, General Rules and Specifications for Substitute Forms W-2 and W-3.
  - Revenue Procedure 2005-69, IRS Publication 1179, General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, W-2G, and 1042-S.
  - Revenue Procedure 2004-63, IRS Publication 1187, Specifications for Filing Forms 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, Electronically or Magnetically.
  - Revenue Procedure 2005-49, IRS Publication 1220, Specifications for Filing Forms 1098, 1099, 5498, and W-2G Electronically or Magnetically.
  - Revenue Procedure 2003-31, IRS Publication 1223, General Rules and Specifications for Substitute Forms W-2c and W-3c.
  - Revenue Procedure 2005-21, IRS Publication 4436, General Rules and Specifications for Substitute Form 941 and Schedule B (Form 941).
- 

### Section 4.2 – Ordering Publications

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#### 4.2.1 Sources for Publications

The publications listed below are available only on the IRS website. Identify the requested document by the IRS publication number.

- Publication 1141, the revenue procedure on specifications for private printing of Forms W-2 and W-3.
- Publication 1167, the revenue procedure on substitute printed, computer-prepared, and computer-generated tax forms and schedules.
- Publication 1179, the revenue procedure on paper substitute information returns (Forms 1096, 1098, 1099, 5498, W-2G, and 1042-S).
- Publication 1220, the revenue procedure on electronic or magnetic reporting for information returns (Forms 1098, 1099 series, 5498, and W-2G).
- Publication 1223, the revenue procedure on substitute Forms W-2c and W-3c.
- Publication 1239, Specifications for Filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, Magnetically/Electronically.
- Publication 1245, electronic and magnetic reporting for Forms W-4.
- Publication 1345, Handbook for Authorized IRS *e-file* Providers of Individual Income Tax Returns. (This is an annual publication; tax year is subject to change).

- Publication 1345-A, Filing Season Supplement For Authorized IRS *e-file* Providers. This publication, printed in the late fall, supplements Publication 1345.
  - Publication 4436, the revenue procedure on substitute Form 941 and Schedule B (Form 941).
- 

## Section 4.3 – Electronic Tax Products

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### 4.3.1 The IRS Website

Copies of tax forms with instructions, publications, draft forms, fillable forms, prior year forms and publications, and other tax-related information may be found on the IRS website at [www.irs.gov](http://www.irs.gov).

---

### 4.3.2 Tax Products Posting Schedule

The IRS website provides a Tax Products Posting Schedule for the official forms released for use by taxpayers. The schedule has three parts:

- Anticipated print dates of annual returns,
- Anticipated print dates of quarterly returns, and
- Last revision dates and target print dates for continuous-use forms.

The site address is [www.irs.gov/formspubs/article/0,,id=103641,00.html](http://www.irs.gov/formspubs/article/0,,id=103641,00.html). The site will be updated weekly during peak printing periods and as necessary at other times. The planned dates are subject to change.

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## Section 4.4 – Federal Tax Forms on CD-ROM

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### 4.4.1 Information About Federal Tax Forms CD-ROM

The CD-ROM contains over 3,000 tax forms and publications for small businesses, return preparers, and others who frequently need current or prior year tax products. Most current tax forms on the CD-ROM may be filled in electronically, then printed out for submission and saved for recordkeeping. Other products on the CD-ROM include the Internal Revenue Bulletins, Tax Supplements, and Internet resources for the tax professional with links to the World Wide Web.

All necessary software to view the files must be installed from the CD-ROM. Software for Adobe Acrobat Reader is included on the disk. The software will run under Windows 95/98/NT and Macintosh System 7.5 and later versions of these programs. All products are presented in Adobe's Portable Document Format (PDF). In addition, tax publications are provided in the Hyper Text Markup Language (HTML).

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**4.4.2  
System  
Requirements and  
How To Order the Federal Tax  
Forms CD-ROM**

For system requirements, contact the National Technical Information Service (NTIS) help desk at 703-487-4608. Prices are subject to change.

The cost of the CD if purchased via the Internet at <http://www.irs.gov/cdorders> from NTIS, is \$25 (with no handling fee).

If purchased using the following methods, the cost for each CD is \$25 (plus a \$5 handling fee). These methods are:

- By phone – 1-877-CDFORMS (1-877-233-6767),
- By fax – 703-605-6900,
- By mail using the order form contained in IRS Publication 1045 (Tax Professionals Guide), and
- By mail to:  
National Technical Information Service  
5285 Port Royal Road  
Springfield, VA 22161

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## **Part 5 Requirements for Specific Tax Returns**

### **Section 5.1 – Tax Returns (Forms 1040, 1040A, 1120, etc.)**

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#### **5.1.1 Acceptable Forms**

Tax forms (such as Forms 1040, 1040A, and 1120) require a signature and establish tax liability. Computer generated versions are acceptable under the following conditions.

- These substitute forms must be printed on plain white paper.
- Substitute forms must conform to the physical layout of the corresponding IRS form although the typeface may differ. The text should match the text on the officially published form as closely as possible. Condensed text and abbreviations will be considered on a case-by-case basis.

**Caution.** All jurats (perjury statements) must be reproduced verbatim. No text can be added, deleted, or changed in meaning.

- Various computer graphic print media such as laser printing, inkjet printing, etc., may be used to produce the substitute forms.
- The substitute form must be the same number of pages and contain the same line text as the official form.
- All substitute forms must be submitted for approval prior to their original use. You do not need approval for a substitute form if its only change is the preprinted year and you had received a prior year approval letter.

**Exception.** If the approval letter specifies a one time exception for your form, the next year's form must be approved.

#### **5.1.2 Prohibited Forms**

The following are prohibited.

- Computer generated tax forms (for example, Form 1040, etc.) on lined or color barred paper.
- Tax forms that differ from the official IRS forms in a manner that makes them not standard or unable to process.

#### **5.1.3 Changes Permitted to Forms 1040 and 1040A**

Certain changes (listed in Sections 5.2 through 5.4) are permitted to the graphics of the form without prior approval, but these changes apply to only acceptable preprinted forms. Changes not requiring prior approval are good only for the annual filing period, which is the current tax year. Such changes are valid in subsequent years only if the official form does not change.

**5.1.4  
Other Changes  
Not Listed**

All changes not listed in Sections 5.2 through 5.4 require approval from the IRS before the form can be filed.

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**Section 5.2 – Changes Permitted to Graphics (Forms 1040A and 1040)**

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**5.2.1  
Adjustments**

You may make minor vertical and horizontal spacing adjustments to allow for computer or word processing printing. This includes widening the amount columns or tax entry areas if the adjustments comply with other provisions stated in revenue procedures. No prior approval is needed for these changes.

---

**5.2.2  
Name and Address Area**

The horizontal rules and instructions within the name and address area may be removed and the entire area left blank. No line or instruction can remain in the area. However, the statement regarding use of the IRS label should be retained. The heavy ruled border (when present) that outlines the name, address area, and social security number must not be removed, relocated, expanded, or contracted.

---

**5.2.3  
Required Format**

When the name and address area is left blank, the following format must be used when printing the taxpayer's name and address. Otherwise, unless the taxpayer's preprinted label is affixed over the information entered in this area, the lines must be filled in as shown below.

- 1st name line (35 characters maximum).
  - 2nd name line (35 characters maximum).
  - In-care-of name line (35 characters maximum).
  - City, state (25 characters maximum), one blank character, & ZIP code.
- 

**5.2.4  
Conventional  
Name and  
Address Data**

When there is no in-care-of name line, the name and address will consist of only three lines (single filer) or four lines (joint filer). Name and address (joint filer) with no in-care-of name line:

JOHN Z. JONES  
MARY I. JONES  
1234 ANYWHERE ST., APT. 111  
ANYTOWN, STATE 12321

---

**5.2.5  
Example of  
In-Care-Of  
Name Line**

Name and address (single filer) with in-care-of name line:

JOHN Z. JONES  
C/O THOMAS A. JONES  
4311 SOMEWHERE AVE.  
SAMETOWN, STATE 54345

---

**5.2.6  
SSN and  
Employer Identification  
Number (EIN) Area**

The vertical lines separating the format arrangement of the SSN/EIN may be removed. When the vertical lines are removed, the SSN and EIN formats must be 000-00-0000 or 00-0000000, respectively.

---

**5.2.7  
Cents Column**

- You may remove the vertical rule that separates the dollars from the cents.
- All entries in the amount column should have a decimal point following the whole dollar amounts whether or not the vertical line that separates the dollars from the cents is present.

- You may omit printing the cents, but all amounts entered on the form must follow a consistent format. You are strongly urged to round off the figures to whole dollar amounts, following the official form instructions.
  - When several amounts are summed together, the total should be rounded off after addition (that is, individual amounts should not be rounded off for computation purposes).
  - When printing money amounts, you must use one of the following formats:
    - (a) 0,000,000.;
    - (b) 0,000,000.00.
  - When there is no entry for a line, leave the line blank.
- 

**5.2.8**  
**“Paid Preparer’s**  
**Use Only” Area**

On all forms, the paid preparer’s information area may not be rearranged or relocated. You may add three lines and remove the horizontal rules in the preparer’s address area.

---

**Section 5.3 – Changes Permitted to Form 1040A Graphics**

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**5.3.1**  
**General**

No prior approval is needed for the following changes (for use with computer prepared forms only).

---

**5.3.2**  
**Line 4 of**  
**Form 1040A**

This line may be compressed horizontally (to allow for same line entry for the name of the qualifying child) by using the following caption: “Head of household; child’s name” (name field).

---

**5.3.3**  
**Other Lines**

Any line with text that takes up two or more vertical lines may be compressed to one line by using contractions, etc., and by removing instructional references.

---

**5.3.4**  
**Page 2 of**  
**Form 1040A**

All lines must be present and numbered in the order shown on the official form. These lines may also be compressed.

---

**5.3.5**  
**Color Screening**

It is not necessary to duplicate the color screening used on the official form. A substitute Form 1040A may be printed in black and white only with no color screening.

---

**5.3.6**  
**Other Changes**  
**Prohibited**

No other changes to the Form 1040A graphics are allowed without prior approval except for the removal of instructions and references to instructions.

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**Section 5.4 – Changes Permitted to Form 1040 Graphics**

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**5.4.1**  
**General**

No prior approval is needed for the following changes (for use with computer prepared forms only). Specific line numbers in the following headings may have changed due to tax law changes.

---

**5.4.2**  
**Line 4 of**  
**Form 1040**

This line may be compressed horizontally (to allow for a larger entry area for the name of the qualifying child) by using the following caption: “Head of household; child’s name” (name field).

---

- 5.4.3**  
**Line 6c of**  
**Form 1040**
- The vertical lines separating columns (1) through (4) may be removed. The captions may be shortened to allow a one line caption for each column.
- 
- 5.4.4**  
**Other Lines**
- Any other line with text that takes up two or more vertical lines may be compressed to one line by using contractions, etc., and by removing instructional references.
- 
- 5.4.5**  
**Line 21 – Other Income**
- The fill-in portion of this line may be expanded vertically to three lines. The amount entry box must remain a single entry.
- 
- 5.4.6**  
**Line 44 of**  
**Form 1040 – Tax**
- You may change the line caption to read “Tax” and computer print the words “Total includes tax from” and either “Form(s) 8814” or “Form 4972.” If both forms are used, print both form numbers. This specific line number may have changed.
- 
- 5.4.7**  
**Line 55 of**  
**Form 1040 –**  
**Other Credits**
- You may change the caption to read: “Other credits from Form” and computer print only the form(s) that apply.
- 
- 5.4.8**  
**Color Screening**
- It is not necessary to duplicate the color screening used on the official form. A substitute Form 1040 may be printed in black and white only with no color screening.
- 
- 5.4.9**  
**Other Changes**  
**Prohibited**
- No other changes to the Form 1040 graphics are permitted without prior approval except for the removal of instructions and references to instructions.
- 

## **Part 6**

### **Format and Content of Substitute Returns**

#### **Section 6.1 – Acceptable Formats for Substitute Forms and Schedules**

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- 6.1.1**  
**Exhibits and Use of Acceptable**  
**Formats**
- Exhibits of acceptable formats for Schedule A, usually attached to the Form 1040, and Form 2106-EZ are shown in the exhibits section of this revenue procedure.
- If your computer generated forms appear exactly like the exhibits, no prior authorization is needed.
  - You may computer generate forms not shown here, but you must design them by following the manner and style of those in the exhibits section.
  - Take care to observe other requirements and conditions in this revenue procedure. The IRS encourages the submission of all proposed forms covered by this revenue procedure.
- 
- 6.1.2**  
**Instructions**
- The format of each substitute form or schedule must follow the format of the official form or schedule as to item captions, line references, line numbers, sequence, form arrangement and format, etc. Basically, try to make the form look like the official one, with readability and consistency being primary factors. You may use periods and/or other similar special characters to separate the various parts and sections of the form. Do not use alpha or numeric characters for these purposes. All line numbers and items must be printed even though an amount is not entered on the line.
-

**6.1.3  
Line Numbers**

When a line on an official form is designated by a number or a letter, that designation (reference code) must be used on a substitute form. The reference code must be printed to the left of the text of each line and immediately preceding the data entry field, even if no reference code precedes the data entry field on the official form. If an entry field contains multiple lines and shows the line references once on the left and right side of the form, use the same number of line references on the substitute form.

In addition, the reference code that is immediately before the data field must either be followed by a period or enclosed in parentheses. There also must be at least two blank spaces between the period or the right parenthesis and the first digit of the data field. (See example below.)

**6.1.4  
Decimal Points**

A decimal point (that is, a period) should be used for each money amount regardless of whether the amount is reported in dollars and cents or in whole dollars, or whether or not the vertical line that separates the dollars from the cents is present. The decimal points must be vertically aligned when possible.

**Example:**

5 STATE & LOCAL INC. TAXES.....	5.	495.00
6 REAL ESTATE TAXES.....	6.	
7 PERSONAL PROPERTY TAXES.....	7.	198.00
	or	
5 STATE & LOCAL INC. TAXES.....	(5)	495.00
6 REAL ESTATE TAXES.....	(6)	
7 PERSONAL PROPERTY TAXES.....	(7)	198.00

**6.1.5  
Multi-Page Forms**

When submitting a multi-page form, send all its pages in the same package.

**Exception.** If you will not be producing certain pages, please note that in your cover letter.

**Section 6.2 – Additional Instructions for All Forms**

**6.2.1  
Use of Your  
Own Internal Control  
Numbers and  
Identifying Symbols**

You may show the computer prepared internal control numbers and identifying symbols on the substitute if using such numbers or symbols is acceptable to the taxpayer and the taxpayer's representative. Such information must not be printed in the top 1/2 inch clear area of any form or schedule requiring a signature. Except for the actual tax return form (Forms 1040, 1120, 940, 941, etc.), you may print in the left vertical and bottom left margins. The bottom left margin you may use extends 3 1/2 inches from the left edge of the form.

**6.2.2  
Descriptions for  
Captions, Lines, etc.**

Descriptions for captions, lines, etc., appearing on the substitute forms may be limited to one print line by using abbreviations and contractions, and by omitting articles, prepositions, etc. However, sufficient key words must be retained to permit ready identification of the caption, line, or item.

**6.2.3  
Determining  
Final Totals**

Explanatory detail and/or intermediate calculations for determining final line totals may be included on the substitute. We prefer that such calculations be submitted in the form of a supporting statement. If intermediate calculations are included on the substitute, the line on which they appear may not be numbered or lettered. Intermediate calculations may not be printed in the right column. This column is reserved only for official numbered and lettered lines that correspond to the ones on the official form. Generally, you may choose the format for intermediate calculations or subtotals on supporting statements to be submitted.

**6.2.4  
Instructional  
Text on the Official Form**

Text on the official form, which is solely instructional (for example, “See instructions,” etc.), may generally be omitted from the substitute form.

---

**6.2.5  
Mixing Forms  
on the Same Page Prohibited**

You may not show more than one form or schedule on the same printout page. Both sides of the paper may be printed for multi-page official forms, but it is unacceptable to intermix single page schedules of forms except for Schedules A and B (Form 1040), which are printed back to back by the IRS.

For instance, Schedule E can be printed on both sides of the paper because the official form is multi-page, with page 2 continued on the back. However, do not print Schedule E on the front page and Schedule SE on the back, or Schedule A on the front and Form 8615 on the back, etc. Both pages of a substitute form must match the official form. The back page may be left blank if the back page of the official form contains only the instructions.

---

**6.2.6  
Identifying  
Substitutes**

Identify all computer prepared substitutes clearly. Print the form designation 1/2 inch from the top margin and 1 1/2 inches from the left margin. Print the title centered on the first line of print. Print the taxable year and, where applicable, the sequence number on the same line 1/2 inch to 1 inch from the right margin. Include the taxpayer’s name and SSN on all forms and attachments. Also, print the OMB number as reflected on the official form.

---

**6.2.7  
Negative Amounts**

Negative (or loss) amount entries should be enclosed in brackets or parentheses or include a minus sign. This assists in accurate computation and input of form data. The IRS pre-prints parentheses in negative data fields on many official forms. These parentheses should be retained or inserted on printouts of affected substitute forms.

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## **Part 7 Miscellaneous Forms and Programs**

### **Section 7.1 – Specifications for Substitute Schedules K-1**

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**7.1.1  
Requirements  
for Schedules K-1  
That Accompany  
Forms 1041, 1065, 1065-B,  
and 1120S**

**Note.** The formats for Schedules K-1 of Forms 1065, 1120S, and 1041 have significantly changed in 2004 and 2005.

Because of significant changes to improve processing, prior approval is now required for substitute Schedules K-1 that accompany Form 1041 (for estates and trusts), Form 1065 (for partnerships), Form 1065-B (for electing large partnerships), or Form 1120S (for S corporations). Substitute Schedules K-1 should be as close as possible to exact replicas of copies of the official IRS schedules and follow the same process for submitting other substitute forms and schedules. Before releasing their substitute forms, software vendors are responsible for making any subsequent changes that have been made to the final official IRS forms after the draft forms have been posted.

If you feel you will suffer a financial hardship in producing the 2005 Schedule K-1 of Form 1041 because of the significant changes to the 2005 form and format, the IRS will consider allowing deviations from the official form for tax year 2005 only. However, you must include all information on the form. Only deviations in placement and format will be considered. You may prepare a justification and submit it to the IRS at [\\*taxforms@irs.gov](mailto:taxforms@irs.gov) with “Attn: Substitute Forms” on the subject line or:



Internal Revenue Service  
Attn: Substitute Forms Program  
SE:W:CAR:MP:T:T:SP  
1111 Constitution Avenue, NW  
Room 6406  
Washington, D.C. 20224

Include the 6-digit form ID code in the upper right of Schedules K-1 of Forms 1041, 1065, and 1120S.

- 661105 for Form 1041,
- 651105 for Form 1065, and
- 671105 for Form 1120S.

Please allow white space around the 6-digit code.

Schedules K-1 that accompany Forms 1041, 1065, 1065-B, or 1120S must meet all specifications. The specifications include, but are not limited to, the following requirements.

- You will no longer be able to produce Schedules K-1 that contain only those lines or boxes that taxpayers are required to use. All lines must be included.
- The words “\*See attached statement for additional information.” must be preprinted in the lower right hand side on Schedules K-1 of Forms 1041, 1065, and 1120S.
- All K-1s that are filed with the IRS should be printed on standard 8.5” x 11” paper (the international standard (A4) of 8.27” x 11.69” may be substituted).
- Each recipient’s information must be on a separate sheet of paper. Therefore, you must separate all continuously printed substitutes, by recipient, before filing with the IRS.
- No carbon copies or pressure-sensitive copies will be accepted.
- The Schedule K-1 must contain the name, address, and SSN or EIN of both the entity (estate, trust, partnership, or S corporation) and the recipient (beneficiary, partner, or shareholder).
- The Schedule K-1 must contain the tax year, the OMB number, the schedule number (K-1), the related form number (1041, 1065, 1065-B, or 1120S), and the official schedule name in substantially the same position and format as shown on the official IRS schedule.
- The Schedule K-1 must contain all the line items as shown on the official form, except for the instructions, if any are printed on the back of the official Schedule K-1.
- The line items or boxes must be in the same order and arrangement as those on the official form.
- The amount of each recipient’s share of each item must be shown. Furnishing a total amount of each item and a percentage (or decimal equivalent) to be applied to such total amount by the recipient does not satisfy the law and the specifications of this revenue procedure.
- State or local tax-related information may not be included on the Schedules K-1 filed with the IRS.
- The entity may have to pay a penalty if substitute Schedules K-1 are filed that do not conform to specifications.
- Additionally, the IRS may consider the Schedules K-1 that do not conform to specifications as not being able to process and may return Forms 1041, 1065, 1065-B, or 1120S to the entity to be filed correctly.

Schedules K-1 that are 2-D bar-coded will continue to require prior approval from the IRS (see Sections 7.1.3 through 7.1.5).

### 7.1.2 Special Requirements for Recipient Copies of Schedules K-1

Standardization for reporting information is required for recipient copies of substitute Schedules K-1 of Forms 1041, 1065, 1065-B, and 1120S. Uniform visual standards are provided to increase compliance by allowing recipients and practitioners to more easily recognize a substitute Schedule K-1. The entity must furnish to each recipient a copy of Schedule K-1 that meets the following requirements.

- Include the 6-digit form ID code in the upper right of Schedules K-1 of Forms 1041, 1065, and 1120S.
  - 661105 for Form 1041,
  - 651105 for Form 1065, and
  - 671105 for Form 1120S.

Please allow white space around the 6-digit code.

- You will no longer be able to produce Schedules K-1 that contain only those lines or boxes that taxpayers are required to use. All lines must be included.
- Both pages 1 and 2 of Schedules K-1 of Forms 1065 and 1120S must be provided to each recipient.
- The words “\*See attached statement for additional information.” must be preprinted in the lower right hand side on Schedules K-1 of Forms 1041, 1065, and 1120S.
- The Schedule K-1 must contain the name, address, and SSN or EIN of both the entity and recipient.
- The Schedule K-1 must contain the tax year, the OMB number, the schedule number (K-1), the related form number (1041, 1065, 1065-B, or 1120S), and the official schedule name in substantially the same position and format as shown on the official IRS schedule.
- All applicable amounts and information required to be reported must be titled and numbered in the same manner as shown on the official IRS schedule. The line items or boxes must be in the same order and arrangement and must be numbered like those on the official IRS schedule.
- The Schedule K-1 must contain all items required for use by the recipient. The instructions to the schedule must identify the line or box number and code, if any, for each item as shown in the official IRS schedule.
- The amount of each recipient’s share of each item must be shown. Furnishing a total amount of each line item and a percentage (or decimal equivalent) to be applied to such total amount by the recipient does not satisfy the law and the specifications of this revenue procedure.
- Instructions to the recipient that are substantially similar to those on or accompanying the official IRS schedule must be provided to aid in the proper reporting of the items on the recipient’s income tax return. Where items are not reported to a recipient because they do not apply, the related instructions may be omitted.
- The quality of the ink or other material used to generate recipients’ schedules must produce clearly legible documents. In general, black chemical transfer inks are preferred.
- In order to assure uniformity of substitute Schedules K-1, the paper size should be standard 8.5” x 11” (the international standard (A4) of 8.27” x 11.69” may be substituted.)
- The paper weight, paper color, font type, font size, font color, and page layout must be such that the average recipient can easily decipher the information on each page.
- State or local tax-related information may be included on recipient copies of substitute Schedules K-1. All non-tax-related information should be separated from the tax information on the substitute schedule to avoid confusion for the recipient.
- The legend “Important Tax Return Document Enclosed” must appear in a bold and conspicuous manner on the outside of the envelope that contains the substitute recipient copy of Schedule K-1.
- The entity may have to pay a penalty if a substitute Schedule K-1 furnished to any recipient does not conform to the specifications of this revenue procedure and results in impeding processing.

### 7.1.3 Requirements for Schedules K-1 with Two-Dimensional (2-D) Bar Codes

In an effort to reduce the burden of manually transcribing tax documents, improve quality, and increase government efficiency, the IRS is pleased to provide specifications for 2-D bar-coded substitute Schedules K-1 for Forms 1041, 1065, and 1120S. The IRS encourages voluntary participation in adding 2-D barcoding.

**Note.** If software vendors do not want to produce bar-coded Schedules K-1, they may produce the official IRS Schedules K-1 but cannot use the expedited process for approving bar-coded K-1s and their parent returns as outlined in Section 7.1.5.

In addition to the requirements in Sections 7.1.1 and 7.1.2, the bar-coded Schedules K-1 must meet the following specifications.

- The bar code should print in the space labeled “For IRS Use Only” on each Schedule K-1. The entire bar code must print within the “For IRS Use Only” box surrounded by a white space of at least 1/4 inch.
  - Bar codes must print in PDF 417 format.
  - The bar codes must always be in the specified format with every field represented by at least a field delimiter (carriage return). Leaving out a field in a bar code will cause every subsequent field to be misread.
  - Be sure to include the 6-digit form ID code in the upper right of Schedules K-1 of Forms 1041, 1065, and 1120S.
    - 661105 for Form 1041,
    - 651105 for Form 1065, and
    - 671105 for Form 1120S.Please allow white space around the 6-digit code.
- 

#### **7.1.4 Approval Process for Bar-Coded Schedules K-1**

Prior to releasing commercially available tax software that creates bar-coded Schedules K-1, the printed schedule and the bar code must both be tested. Bar code testing must be done using the final official IRS Schedule K-1. Bar code approval requests must be resubmitted for any subsequent changes to the official IRS form that would affect the bar code. Below are instructions and a sequence of events that will comprise the testing process.

- The IRS has released the final Schedule K-1 bar-code specifications by publishing them on the IRS.gov website (see <http://www.irs.gov/efile/article/0,,id=129859,00.html>).
  - The IRS will publish a set of test documents that will be used to test the ability of tax preparation software to create bar codes in the correct format.
  - Software developers will submit two identical copies of the test documents – one to the IRS and one to a contracted testing vendor.
  - The IRS will use one set to ensure the printed schedules comply with standard substitute forms specifications.
  - If the printed forms fail to meet the substitute form criteria, the IRS will inform the software developer of the reason for noncompliance.
  - The software developer must resubmit the Schedule(s) K-1 until they pass the substitute forms criteria.
  - The testing vendor will review the bar codes to ensure they meet the published bar-code specifications.
  - If the bar code(s) does not meet published specifications, the testing vendor will contact the software developer directly informing them of the reason for noncompliance.
  - Software developers must submit new bar-coded schedules until they pass the bar-code test.
  - When the bar code passes, the testing vendor will inform the IRS that the developer has passed the bar-code test and the IRS will issue an overall approval for both the substitute form and the bar code.
  - After receiving this consolidated response, the software vendor is free to release software for tax preparation as long as any subsequent revisions to the schedules do not change the fields.
  - Find the mailing address for the testing vendor below. Separate and simultaneous mailings to the IRS and the vendor will reduce testing time.
- 

#### **7.1.5 Procedures for Reducing Testing Time**

In order to help provide incentives to the software development community to participate in the Schedule K-1 2-D project, the IRS has committed to expediting the testing of bar-coded Schedules K-1 and their associated parent returns. To receive this expedited service, follow the instructions below.

- Mail the parent returns (Forms 1065, 1120S, 1041) and associated bar-coded Schedule(s) K-1 to the appropriate address below in a separate package from all other approval requests.

Internal Revenue Service  
 Attn: Bar-Coded K-1  
 SE:W:CAR:MP:T:T:SP  
 1111 Constitution Avenue, NW  
 Room 6406  
 Washington, D.C. 20224

- Mail one copy of the parent form(s) and Schedule(s) K-1 to the IRS and another copy to the testing vendor at the address below.

Northrop Grumman Information Tech  
 Attn: Bill Philpot, Product Assurance Manager  
 1800 Alexander Bell Drive  
 Suite 300  
 Reston, VA 20191  
 Phone: 703-453-1200

- Include multiple email and phone contact points in the packages.
- While the IRS can expedite bar-coded Schedules K-1 and their associated parent returns, it cannot expedite the approval of non-associated tax returns.

## Section 7.2 – Procedures for Printing IRS Envelopes

### 7.2.1 Procedures for Printing IRS Envelopes

Organizations are permitted to produce substitute tax return envelopes. Use of substitute return envelopes that comply with the requirements set forth in this section will assist in delivery of mail by the U.S. Postal Service and facilitate internal sorting at the Internal Revenue Service Centers.

Use the following 5-digit ZIP codes when mailing returns to the IRS Service Centers:

Service Center	ZIP Code
Atlanta, GA	39901
Kansas City, MO	64999
Austin, TX	73301
Philadelphia, PA	19255
Memphis, TN	37501
Andover, MA	05501
Cincinnati, OH	45999
Ogden, UT	84201
Fresno, CA	93888

### 7.2.2 Sorting Returns by Form Type

Sorting returns by form type is accomplished by the preprinted bar codes on return envelopes included in each specific type of form or package mailed to the taxpayers. The 32 bit bar code on the left of the address on each envelope identifies the type of form the taxpayer is filing, and it assists in consolidating like returns for processing. Failure to use the envelopes furnished by

the IRS results in additional processing time and effort, and possibly delays the timely deposit of funds, processing of returns, and issuance of refund checks.

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### 7.2.3 ZIP+4 or 9-Digit ZIP Codes

The IRS will not furnish or sell bulk quantities of preprinted tax return envelopes to taxpayers or tax practitioners. A suitable alternative has been developed that will accommodate the sorting needs of both the IRS and the United States Postal Service (USPS). The alternative is based on the use of ZIP+4, or 9-digit ZIP codes, for mailing various types of tax returns to the IRS Service Centers. The IRS uses the last four digits to identify and sort the various form types into separate groups for processing. The list of 4-digit extensions with the related form designations is provided below.

ZIP+4	Package
XXXXX-0002	1040
XXXXX-0005	941
XXXXX-0006	940
XXXXX-0008	943
XXXXX-0011	1065
XXXXX-0012	1120
XXXXX-0013	1120S
XXXXX-0014	1040EZ
XXXXX-0015	1040A
XXXXX-0027	990
XXXXX-0031	2290

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### 7.2.4 Guidelines for Having Envelopes Preprinted

You may use the preparers' company names, addresses, and logos as long as you do not interfere with the clear areas. The government recommends that the envelope stocks have an average opacity of not less than 89 percent and contain a minimum of 50 percent waste paper. Use of carbon based ink is essential for effective address and bar-code reading. Envelope construction can be of side seam or diagonal seam design. The government recommends that the size of the envelope should be 5<sup>3</sup>/<sub>4</sub> inches by 9 inches. Continuous pin-fed construction is not desirable, but is permissible, if the glued edge is at the top. This requirement is firm because mail opening equipment is designed to open the bottom edge of each envelope.

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### 7.2.5 Envelopes/ZIP Codes

The above procedures or guidelines are written for the user having envelopes preprinted. Many practitioners may not wish to have large quantities of envelopes with differing ZIP codes/form designations preprinted due to low volume, warehousing, waste, etc. In this case, the practitioner can type or machine print the addresses with the appropriate ZIP codes to accommodate sorting. If the requirements/guidelines outlined in this section cannot be met, then use only the appropriate 5-digit service center ZIP code.

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## Section 7.3 – Guidelines for Substitute Forms 8655

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### 7.3.1 Increased Standardization for Forms 8655

Increased standardization for reporting information on substitute Forms 8655 is now required to aid in processing and for compliance purposes. Please follow the guidelines in Section 7.3.2.

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### 7.3.2 Requirements for Substitute Forms 8655

Please follow these specific requirements when producing substitute Forms 8655.

- The first line of the title must be “Reporting Agent Authorization.”
  - If you want to include a reference to “State Limited Power of Attorney,” it can be in parentheses under the title. “State” must be the first word within the parentheses.
  - You must include “Form 8655” on the form.
  - While the line numbers do not have to match the official form, the sequence of the information must be in the same order.
  - The size of any variable data must be printed in a font no smaller than 10-point.
  - For adequate disclosure checks, the following must be included for each taxpayer:
    - (a) Name,
    - (b) EIN, and
    - (c) Address.
  - At this time, Form 944 will not be required if Form 941 is checked. Only those forms that the reporting agent company supports need to be listed.
  - The jurat must be identical with the exception of references to line numbers.
  - A contact name and number for the reporting agent is not required.
  - Line 17, or the equivalent line, must include two checkboxes.
  - Any state information included should be contained in a separate section of the substitute form. Preferably this information will be in the same area as line 19 of the official form.
  - All substitute Forms 8655 must be approved by the Substitute Forms Unit as outlined in the Form 8655 specifications in Publication 1167.
  - If you have not already been assigned a 3-letter source code, you will be given one when your substitute form is approved. This source code should be included in the lower left corner of the form.
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## Part 8 Alternative Methods of Filing

### Section 8.1 – Forms for Electronically Filed Returns

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#### 8.1.1 Electronic Filing Program

Electronic filing is a method by which qualified filers transmit tax return information directly to an IRS Service Center in the format of the official IRS forms. The IRS accepts both refund and balance-due individual tax returns that are filed electronically.

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**8.1.2**  
**Applying to**  
**Participate in IRS e-file**

Anyone wishing to participate in IRS *e-file* of tax returns must submit an *e-file* application. The application can be completed and submitted electronically on the IRS website at [www.irs.gov](http://www.irs.gov) or by filing Form 8633, Application to Participate in the IRS *e-file* Program.

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**8.1.3**  
**Mailing**  
**Instructions**

<b>IF submitting Form 8633 by...</b>	<b>THEN mail it to...</b>
Regular mail	Internal Revenue Service Andover Submission Processing Center Attn: EFU Acceptance - Testing Stop 983 P.O. Box 4099 Woburn, MA 01888-4099
Overnight mail	Internal Revenue Service Andover Submission Processing Center Attn: EFU Acceptance - Testing Stop 983 310 Lowell Street Andover, MA 05501-0001

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**8.1.4**  
**Obtaining the**  
**Taxpayer Signature**

Form 8453, U.S. Individual Income Tax Declaration for an IRS *e-file* Return, is the signature document for an electronically filed 1040, 1040A, or 1040EZ return not filed with an electronic signature. Form 8453, which serves as a transmittal for associated nonelectronic (paper) documents such as Forms 3115, 5713, 8283, and 8332, is a one-page form and can only be approved through the Substitute Forms Program in that format. Form 8453-OL serves the same purpose for taxpayers filing through online services. For specific information about electronic filing, refer to Publication 1345, Handbook for Authorized IRS *e-file* Providers of Individual Income Tax Returns.

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**8.1.5**  
**Guidelines for**  
**Preparing Substitute Forms in the**  
**Electronic Filing Program**

A participant in the electronic filing program, who wants to develop a substitute form should follow the guidelines throughout this publication and send a sample form for approval to the Substitute Forms Unit at the address in Part 1. If you do not prepare Substitute Form 8453 using a font in which all IRS wording fits on a single page, the form will not be accepted.

**Note.** Use of unapproved forms could result in suspension of the participant from the electronic filing program.

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**Section 8.2 – Effect on Other Documents**

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**8.2.1**  
**Effect on Other**  
**Documents**

This revenue procedure supersedes Revenue Procedure 2004-62, 2004-2 C.B. 728.

# Exhibit A-1 (Preferred Format)

**SCHEDULES A&B**  
(Form 1040)

## Schedule A—Itemized Deductions

OMB No. 1545-0074

**2005**

Attachment  
Sequence No. **07**

Department of the Treasury  
Internal Revenue Service

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A&B (Form 1040).

Name(s) shown on Form 1040

Your social security number

<b>Medical and Dental Expenses</b>	<b>1</b>	<b>Caution.</b> Do not include expenses reimbursed or paid by others. Medical and dental expenses (see page A-2)	<b>1</b>			
	<b>2</b>	Enter amount from Form 1040, line 38	<b>2</b>			
	<b>3</b>	Multiply line 2 by 7.5% (.075)	<b>3</b>			
	<b>4</b>	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	<b>4</b>			
<b>Taxes You Paid</b> (See page A-2.)	<b>5</b>	State and local (check only one box): a <input type="checkbox"/> Income taxes, or b <input type="checkbox"/> General sales taxes (see page A-3)	<b>5</b>			
	<b>6</b>	Real estate taxes (see page A-5)	<b>6</b>			
	<b>7</b>	Personal property taxes	<b>7</b>			
	<b>8</b>	Other taxes. List type and amount ▶	<b>8</b>			
	<b>9</b>	Add lines 5 through 8	<b>9</b>			
<b>Interest You Paid</b> (See page A-5.)	<b>10</b>	Home mortgage interest and points reported to you on Form 1098	<b>10</b>			
	<b>11</b>	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-6 and show that person's name, identifying no., and address ▶	<b>11</b>			
	<b>12</b>	Points not reported to you on Form 1098. See page A-6 for special rules	<b>12</b>			
	<b>13</b>	Investment interest. Attach Form 4952 if required. (See page A-6.)	<b>13</b>			
<b>Note.</b> Personal interest is not deductible.	<b>14</b>	Add lines 10 through 13	<b>14</b>			
<b>Gifts to Charity</b> If you made a gift and got a benefit for it, see page A-7.	<b>15a</b>	Total gifts by cash or check. If you made any gift of \$250 or more, see page A-7	<b>15a</b>			
	<b>15b</b>	Gifts by cash or check after August 27, 2005, that you elect to treat as qualified contributions (see page A-7)	<b>15b</b>			
	<b>16</b>	Other than by cash or check. If any gift of \$250 or more, see page A-7. You <b>must</b> attach Form 8283 if over \$500	<b>16</b>			
	<b>17</b>	Carryover from prior year	<b>17</b>			
<b>18</b>	Add lines 15a, 16, and 17	<b>18</b>				
<b>Casualty and Theft Losses</b>	<b>19</b>	Casualty or theft loss(es). Attach Form 4684. (See page A-8.)	<b>19</b>			
<b>Job Expenses and Certain Miscellaneous Deductions</b> (See page A-8.)	<b>20</b>	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-8.) ▶	<b>20</b>			
	<b>21</b>	Tax preparation fees	<b>21</b>			
	<b>22</b>	Other expenses—investment, safe deposit box, etc. List type and amount ▶	<b>22</b>			
	<b>23</b>	Add lines 20 through 22	<b>23</b>			
	<b>24</b>	Enter amount from Form 1040, line 38	<b>24</b>			
	<b>25</b>	Multiply line 24 by 2% (.02)	<b>25</b>			
<b>26</b>	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-	<b>26</b>				
<b>Other Miscellaneous Deductions</b>	<b>27</b>	Other—from list on page A-9. List type and amount ▶	<b>27</b>			
<b>Total Itemized Deductions</b>	<b>28</b>	Is Form 1040, line 38, over \$145,950 (over \$72,975 if married filing separately)? <input type="checkbox"/> <b>No.</b> Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> <b>Yes.</b> Your deduction may be limited. See page A-9 for the amount to enter.	<b>28</b>			
	<b>29</b>	If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>				

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule A (Form 1040) 2005



**Exhibit A-2 (Acceptable Format)**

**SCHEDULES A&B**  
**(Form 1040)**

**Schedule A—Itemized Deductions**

OMB No. 1545-0074

**2005**

Attachment  
Sequence No. **07**

Department of the Treasury  
Internal Revenue Service

▶ **Attach to Form 1040.** ▶ **See Instructions for Schedules A&B (Form 1040).**

Name(s) shown on Form 1040

Your social security number

<b>Medical and Dental Expenses</b>	<b>Caution.</b> Do not include expenses reimbursed or paid by others.		
	<b>1</b> Medical and dental expenses (see page A-2) . . . . .	<b>1</b>	
	<b>2</b> Enter amount from Form 1040, line 38   <b>2</b>		
	<b>3</b> Multiply line 2 by 7.5% (.075) . . . . .	<b>3</b>	
<b>4</b> Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- . . . . .			<b>4</b>
<b>Taxes You Paid</b> (See page A-2.)	<b>5</b> State and local ( <b>check only one box</b> ):		
	<b>a</b> <input type="checkbox"/> Income taxes, or	}	<b>5</b>
	<b>b</b> <input type="checkbox"/> General sales taxes (see page A-3)		
	<b>6</b> Real estate taxes (see page A-5) . . . . .	<b>6</b>	
	<b>7</b> Personal property taxes . . . . .	<b>7</b>	
<b>8</b> Other taxes. List type and amount ▶	<b>8</b>		
<b>9</b> Add lines 5 through 8 . . . . .			<b>9</b>
<b>Interest You Paid</b> (See page A-5.)	<b>10</b> Home mortgage interest and points reported to you on Form 1098	<b>10</b>	
	<b>11</b> Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-6 and show that person's name, identifying no., and address ▶	<b>11</b>	
	<b>Note.</b> Personal interest is not deductible.	<b>12</b>	
	<b>13</b> Investment interest. Attach Form 4952 if required. (See page A-6.) . . . . .	<b>13</b>	
<b>14</b> Add lines 10 through 13 . . . . .			<b>14</b>
<b>Gifts to Charity</b> If you made a gift and got a benefit for it, see page A-7.	<b>15a</b> Total gifts by cash or check. If you made any gift of \$250 or more, see page A-7 . . . . .	<b>15a</b>	
	<b>b</b> Gifts by cash or check after August 27, 2005, that you elect to treat as qualified contributions (see page A-7)   <b>15b</b>		
	<b>16</b> Other than by cash or check. If any gift of \$250 or more, see page A-7. You <b>must</b> attach Form 8283 if over \$500	<b>16</b>	
	<b>17</b> Carryover from prior year . . . . .	<b>17</b>	
<b>18</b> Add lines 15a, 16, and 17 . . . . .			<b>18</b>
<b>Casualty and Theft Losses</b>	<b>19</b> Casualty or theft loss(es). Attach Form 4684. (See page A-8.) . . . . .		<b>19</b>
<b>Job Expenses and Certain Miscellaneous Deductions</b> (See page A-8.)	<b>20</b> Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-8.) ▶	<b>20</b>	
	<b>21</b> Tax preparation fees . . . . .	<b>21</b>	
	<b>22</b> Other expenses—investment, safe deposit box, etc. List type and amount ▶	<b>22</b>	
	<b>23</b> Add lines 20 through 22 . . . . .	<b>23</b>	
	<b>24</b> Enter amount from Form 1040, line 38   <b>24</b>		
	<b>25</b> Multiply line 24 by 2% (.02) . . . . .	<b>25</b>	
<b>26</b> Subtract line 25 from line 23. If line 25 is more than line 23, enter -0- . . . . .			<b>26</b>
<b>Other Miscellaneous Deductions</b>	<b>27</b> Other—from list on page A-9. List type and amount ▶		<b>27</b>
<b>Total Itemized Deductions</b>	<b>28</b> Is Form 1040, line 38, over \$145,950 (over \$72,975 if married filing separately)? <input type="checkbox"/> <b>No.</b> Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> <b>Yes.</b> Your deduction may be limited. See page A-9 for the amount to enter. } ▶		<b>28</b>
	<b>29</b> If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>		

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule A (Form 1040) 2005

**Exhibit B-1 (Preferred Format)**

Form **2106-EZ**

**Unreimbursed Employee Business Expenses**

OMB No. 1545-0074

**2005**

Department of the Treasury  
Internal Revenue Service

▶ **Attach to Form 1040.**

Attachment  
Sequence No. **54A**

Your name	Occupation in which you incurred expenses	Social security number : : :
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**You May Use This Form Only if All of the Following Apply.**

- You are an employee deducting ordinary and necessary expenses attributable to your job. An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.
- You **do not** get reimbursed by your employer for any expenses (amounts your employer included in box 1 of your Form W-2 are not considered reimbursements for this purpose).
- If you are claiming vehicle expense, you are using the standard mileage rate for 2005.

**Caution:** You can use the standard mileage rate for 2005 **only if:** (a) you owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or (b) you leased the vehicle and used the standard mileage rate for the portion of the lease period after 1997.

**Part I Figure Your Expenses**

<p><b>1</b> Vehicle expense using the standard mileage rate. Complete Part II and then go to line 1a below.</p> <table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:45%; padding: 2px;"><b>a</b> Multiply business miles driven <b>before</b> September 1, 2005, by 40.5¢ (.405)</td> <td style="width:5%; border: 1px solid black; text-align: center; padding: 2px;"><b>1a</b></td> <td style="width:50%; border: 1px solid black;"></td> </tr> <tr> <td style="padding: 2px;"><b>b</b> Multiply business miles driven <b>after</b> August 31, 2005, by 48.5¢ (.485)</td> <td style="border: 1px solid black; text-align: center; padding: 2px;"><b>1b</b></td> <td style="border: 1px solid black;"></td> </tr> </table> <p style="padding: 2px;"><b>c</b> Add lines 1a and 1b . . . . .</p>	<b>a</b> Multiply business miles driven <b>before</b> September 1, 2005, by 40.5¢ (.405)	<b>1a</b>		<b>b</b> Multiply business miles driven <b>after</b> August 31, 2005, by 48.5¢ (.485)	<b>1b</b>		<b>1c</b>	
<b>a</b> Multiply business miles driven <b>before</b> September 1, 2005, by 40.5¢ (.405)	<b>1a</b>							
<b>b</b> Multiply business miles driven <b>after</b> August 31, 2005, by 48.5¢ (.485)	<b>1b</b>							
<b>2</b> Parking fees, tolls, and transportation, including train, bus, etc., that <b>did not</b> involve overnight travel or commuting to and from work . . . . .	<b>2</b>							
<b>3</b> Travel expense while away from home overnight, including lodging, airplane, car rental, etc. <b>Do not</b> include meals and entertainment . . . . .	<b>3</b>							
<b>4</b> Business expenses not included on lines 1c through 3. <b>Do not</b> include meals and entertainment . . . . .	<b>4</b>							
<b>5</b> Meals and entertainment expenses: \$_____ × 50% (.50) (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 70% (.70) instead of 50%. For details, see instructions.)	<b>5</b>							
<b>6</b> <b>Total expenses.</b> Add lines 1c through 5. Enter here and on <b>Schedule A (Form 1040), line 20.</b> (Armed Forces reservists, fee-basis state or local government officials, qualified performing artists, and individuals with disabilities: See the instructions for special rules on where to enter this amount.) . . . . .	<b>6</b>							

**Part II Information on Your Vehicle.** Complete this part **only** if you are claiming vehicle expense on line 1.

**7** When did you place your vehicle in service for business use? (month, day, year) ▶ ..... / ..... / .....

**8** Of the total number of miles you drove your vehicle during 2005, enter the number of miles you used your vehicle for:

**a** Business ..... **b** Commuting (see instructions) ..... **c** Other .....

**9** Do you (or your spouse) have another vehicle available for personal use? . . . . .  **Yes**  **No**

**10** Was your vehicle available for personal use during off-duty hours? . . . . .  **Yes**  **No**

**11a** Do you have evidence to support your deduction? . . . . .  **Yes**  **No**

**b** If "Yes," is the evidence written? . . . . .  **Yes**  **No**

For Paperwork Reduction Act Notice, see page 3.

Form **2106-EZ** (2005)

**Exhibit B-2 (Acceptable Format)**

Form **2106-EZ**

**Unreimbursed Employee Business Expenses**

OMB No. 1545-0074

**2005**

Attachment Sequence No. **54A**

Department of the Treasury  
Internal Revenue Service

▶ **Attach to Form 1040.**

Your name	Occupation in which you incurred expenses	Social security number : : :
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**You May Use This Form Only if All of the Following Apply.**

- You are an employee deducting ordinary and necessary expenses attributable to your job. An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.
- You **do not** get reimbursed by your employer for any expenses (amounts your employer included in box 1 of your Form W-2 are not considered reimbursements for this purpose).
- If you are claiming vehicle expense, you are using the standard mileage rate for 2005.

**Caution:** You can use the standard mileage rate for 2005 **only if:** (a) you owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, **or** (b) you leased the vehicle and used the standard mileage rate for the portion of the lease period after 1997.

**Part I Figure Your Expenses**

<p><b>1</b> Vehicle expense using the standard mileage rate. Complete Part II and then go to line 1a below.</p> <table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:50%; padding: 2px;"><b>a</b> Multiply business miles driven <b>before</b> September 1, 2005, by 40.5¢ (.405)</td> <td style="width:10%; border: 1px solid black; text-align: center; padding: 2px;"><b>1a</b></td> <td style="width:40%; border: 1px solid black;"></td> </tr> <tr> <td style="padding: 2px;"><b>b</b> Multiply business miles driven <b>after</b> August 31, 2005, by 48.5¢ (.485)</td> <td style="border: 1px solid black; text-align: center; padding: 2px;"><b>1b</b></td> <td style="border: 1px solid black;"></td> </tr> </table> <p style="padding: 2px;"><b>c</b> Add lines 1a and 1b . . . . .</p>	<b>a</b> Multiply business miles driven <b>before</b> September 1, 2005, by 40.5¢ (.405)	<b>1a</b>		<b>b</b> Multiply business miles driven <b>after</b> August 31, 2005, by 48.5¢ (.485)	<b>1b</b>		<b>1c</b>	
<b>a</b> Multiply business miles driven <b>before</b> September 1, 2005, by 40.5¢ (.405)	<b>1a</b>							
<b>b</b> Multiply business miles driven <b>after</b> August 31, 2005, by 48.5¢ (.485)	<b>1b</b>							
<b>2</b> Parking fees, tolls, and transportation, including train, bus, etc., that <b>did not</b> involve overnight travel or commuting to and from work . . . . .	<b>2</b>							
<b>3</b> Travel expense while away from home overnight, including lodging, airplane, car rental, etc. <b>Do not</b> include meals and entertainment . . . . .	<b>3</b>							
<b>4</b> Business expenses not included on lines 1c through 3. <b>Do not</b> include meals and entertainment . . . . .	<b>4</b>							
<b>5</b> Meals and entertainment expenses: \$_____ × 50% (.50) (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 70% (.70) instead of 50%. For details, see instructions.)	<b>5</b>							
<b>6 Total expenses.</b> Add lines 1c through 5. Enter here and on <b>Schedule A (Form 1040), line 20.</b> (Armed Forces reservists, fee-basis state or local government officials, qualified performing artists, and individuals with disabilities: See the instructions for special rules on where to enter this amount.) . . . . .	<b>6</b>							

**Part II Information on Your Vehicle.** Complete this part **only** if you are claiming vehicle expense on line 1.

**7** When did you place your vehicle in service for business use? (month, day, year) ▶ ..... / ..... / .....

**8** Of the total number of miles you drove your vehicle during 2005, enter the number of miles you used your vehicle for:

**a** Business ..... **b** Commuting (see instructions) ..... **c** Other .....

**9** Do you (or your spouse) have another vehicle available for personal use? . . . . .  **Yes**  **No**

**10** Was your vehicle available for personal use during off-duty hours? . . . . .  **Yes**  **No**

**11a** Do you have evidence to support your deduction? . . . . .  **Yes**  **No**

**b** If "Yes," is the evidence written? . . . . .  **Yes**  **No**

For Paperwork Reduction Act Notice, see page 3.

Form **2106-EZ** (2005)

# Exhibit C Software Developers Voucher

▼ Detach Here and Mail With Your Payment and Return ▼

Department of the Treasury  
Internal Revenue Service

2005

Form 1040-V Payment Voucher

- ▶ Use this voucher when making a payment with Form 1040.
- ▶ Do not staple this voucher or your payment to Form 1040.
- ▶ Make your check or money order payable to the "United States Treasury."
- ▶ Write your social security number (SSN) on your check or money order.

Enter the amount  
of your payment ▶

Dollars

Cents

336

0000

JOHN M DOE  
13 WINNERS CIR  
WILMINGTON, DE 19899

P0 Box 970011  
St Louis, MO 63197-0011

400011008 JQ DOE 30 0 200512 610



26 CFR 601.105: Examination of returns and claims for refund, credit or abatement; determination of correct tax liability.  
(Also Part I, §§ 6662, 6694; 1.6662-4, 1.6694-2.)

## Rev. Proc. 2005-75

### SECTION 1. PURPOSE

This revenue procedure updates Rev. Proc. 2004-73, 2004-2 C.B. 999, and identifies circumstances under which the disclosure on a taxpayer's return with respect to an item or a position is adequate for the purpose of reducing the understatement of income tax under section 6662(d) of the Internal Revenue Code (relating to the substantial understatement aspect of the accuracy-related penalty), and for the purpose of avoiding the preparer penalty under section 6694(a) (relating to understatements due to unrealistic positions). This revenue procedure does not apply with respect to any other penalty provisions (including the disregard provisions of the section 6662 accuracy-related penalty, which are subject to an exception for adequate disclosure).

This revenue procedure applies to any return filed on 2005 tax forms for a taxable year beginning in 2005, and to any return filed on 2005 tax forms in 2006 for short taxable years beginning in 2006.

### SEC. 2. CHANGES FROM REV. PROC. 2004-73

.01 Editorial changes have been made in updating Rev. Proc. 2004-73.

.02 Section 1 clarifies that the disregard provisions, and not the negligence provision, of the section 6662 accuracy penalty are subject to an adequate disclosure exception (and that this revenue procedure is not applicable to the exception for the disregard provisions).

.03 Section 3.02 reflects the amendment of section 6662(d)(1)(B) by section 819 of the American Jobs Creation Act of 2004, Pub. L. No. 108-357, 118 Stat. 1418 (2004) (the AJCA of 2004) which revises the threshold for determining whether an understatement is substantial for certain corporations.

.04 Section 3.06 explains the effect of tax law changes effective after December 31, 2005, on the use of this revenue procedure for fiscal year and short year returns.

.05 Section 4.01 has been divided into paragraphs: 4.01, *General*, and 4.02, *Items*. The first paragraph provides general guidance relevant to all items in the revenue procedure, and the second paragraph identifies the items for which the entry of an amount on the line of a return is adequate disclosure.

.06 Section 4.01(3) adds a new paragraph cautioning that the entry of an amount on a line will not provide adequate disclosure when an understatement arises from a related party transaction.

.07 Section 4.01(4) adds an example (using Schedule M-3, *Net Income (Loss) Reconciliation for Corporations With Total Assets of \$10 Million or More*) for disclosing an item on a line that does not have a preprinted description identifying that item.

.08 Section 4.01(5) adds a new paragraph cautioning that the entry of an amount on a line in conformity with this revenue procedure will not provide adequate disclosure for the section 6662 accuracy-related penalty if the item or position is attributable to a tax shelter or if it does not have a reasonable basis and supporting records. The paragraph also includes limitations on the effectiveness of a disclosure for purposes of the section 6694 return preparer penalty.

.09 Section 4.02(1)(d) reflects the enactment of section 170(f)(12) by section 884 of the AJCA of 2004. Section 170(f)(12) concerns the amount that a donor may deduct for a charitable contribution of a qualified vehicle, boat, or airplane having a value of more than \$500.

### SEC. 3. BACKGROUND

.01 If section 6662 applies to any portion of an underpayment of tax required to be shown on a return, an amount equal to 20 percent of the portion of the underpayment to which the section applies is added to the tax. (The penalty rate is 40 percent in the case of gross valuation misstatements under section 6662(h).) Section 6662(b)(2) applies to the portion of an underpayment of tax that is attributable to a substantial understatement of income tax.

.02 Section 6662(d)(1) provides that there is a substantial understatement of income tax if the amount of the understatement exceeds the greater of 10 percent of

the amount of tax required to be shown on the return for the taxable year or \$5,000. Section 6662(d)(1)(B) provides special rules for corporations. A corporation (other than an S corporation or personal holding company) has a substantial understatement of income tax if the amount of the understatement exceeds the lesser of 10 percent of the tax required to be shown on the return for a taxable year (or, if greater, \$10,000) or \$10,000,000. Section 6662(d)(2) defines an understatement as the excess of the amount of tax required to be shown on the return for the taxable year over the amount of the tax that is shown on the return reduced by any rebate (within the meaning of section 6211(b)(2)).

.03 In the case of an item not attributable to a tax shelter, section 6662(d)(2)(B)(ii) provides that the amount of the understatement is reduced by the portion of the understatement attributable to any item with respect to which the relevant facts affecting the item's tax treatment are adequately disclosed in the return or in a statement attached to the return, and there is a reasonable basis for the tax treatment of the item by the taxpayer.

.04 Section 6694 imposes a penalty of \$250 on an income tax return preparer for filing a return or claim for refund that results in an understatement of liability due to a position for which the preparer knew or should have known that there was not a realistic possibility of being sustained on the merits and the position was not disclosed in accordance with section 6662(d)(2)(B)(ii).

.05 In general, this revenue procedure provides guidance for determining when disclosure is adequate for purposes of section 6662(d)(2)(B)(ii) and section 6694(a)(3). For purposes of this revenue procedure, the taxpayer must furnish all required information in accordance with the applicable forms and instructions, and the money amounts entered on these forms must be verifiable. Annual guidance under Treas. Reg. § 1.6662(f)(2) and Treas. Reg. § 1.6694(e)(1) and (2) for returns filed on 2004, 2003, and 2002 tax forms is provided in Rev. Proc. 2004-73, Rev. Proc. 2003-77, 2003-2 C.B. 964; and Rev. Proc. 2002-66, 2002-2 C.B. 724, respectively.

.06 Fiscal and short tax year returns. (a) In general. This revenue procedure may apply to a return for a fiscal tax year that

begins in 2005 and ends in 2006. This revenue procedure may also apply to a short year return for a period beginning in 2006 where the return is to be filed before the 2006 forms are available. (Note that individuals are generally not put in this position as a decedent's final return for a fractional part of a year is due the fifteenth day of the fourth month following the close of the 12-month period which began with the first day of such fractional part of the year. See Treas. Reg. § 1.6072-1(b).) In the case of fiscal year and short year returns, the taxpayer must take into account any tax law changes that are effective for tax years beginning after December 31, 2005, even though these changes are not reflected on the form.

(b) Tax law changes effective after December 31, 2005. This document does not take into account the effect of tax law changes effective for tax years beginning after December 31, 2005. If a line referenced in this revenue procedure is affected by such a change and requires additional reporting, a taxpayer may have to file Form 8275, *Disclosure Statement*, or Form 8275-R, *Regulation Disclosure Statement*, until the Service prescribes criteria for complying with the requirement.

#### SEC. 4. PROCEDURE

##### .01 General.

(1) Additional disclosure of facts relevant to, or positions taken with respect to, issues involving any of the items set forth below is unnecessary for purposes of reducing any understatement of income tax under section 6662(d) (except as otherwise provided in section 4.02(3) concerning Schedules M-1 and M-3), provided that the forms and attachments are completed in a clear manner and in accordance with their instructions.

(2) The money amounts entered on the forms must be verifiable, and the information on the return must be disclosed in the manner described below. For purposes of this revenue procedure, a number is verifiable if, on audit, the taxpayer can demonstrate the origin of the number (even if that number is not ultimately accepted by the Internal Revenue Service) and the taxpayer can show good faith in entering that number on the applicable form.

(3) The disclosure of an amount as provided in section 4.02 below is not ad-

equated when the understatement arises from a transaction between related parties. If an entry may present a legal issue or controversy because of a related party transaction, then that transaction and the relationship must be disclosed on a Form 8275, *Disclosure Statement*, or Form 8275-R, *Regulation Disclosure Statement*.

(4) Where the amount of an item is shown on a line that does not have a preprinted description identifying that item (such as on an unnamed line under an "Other Expense" category) the taxpayer must clearly identify the item by including the description on that line. For example, to disclose a bad debt for a sole proprietorship, the words "bad debt" must be written or typed on the line of Schedule C that shows the amount of the bad debt. Also, for Schedule M-3, Part II, line 26, Other income (loss) items with differences, or Part III, line 35, Other expense/deduction items with differences, the entry must provide descriptive language; for example, "Cost of non-compete agreement deductible not capitalizable." If space limitations on a form do not allow for an adequate description, the description must be continued on an attachment.

(5) Although a taxpayer may literally meet the disclosure requirements of this revenue procedure, the disclosure will have no effect for purposes of the section 6662 accuracy-related penalty if the item or position on the return: (1) Does not have a reasonable basis as defined in Treas. Reg. § 1.6662-3(b)(3); (2) Is attributable to a tax shelter item as defined in section 6662(d)(2) and Treas. Reg. § 1.6662-4(g); or (3) Is not properly substantiated or the taxpayer failed to keep adequate books and records with respect to the item or position. See Treas. Reg. § 1.6694-2(c) regarding limitations on the effectiveness of a disclosure regarding the section 6694 return preparer penalty.

##### .02 Items.

(1) Form 1040, Schedule A, *Itemized Deductions*:

(a) Medical and Dental Expenses: Complete lines 1 through 4, supplying all required information.

(b) Taxes: Complete lines 5 through 9, supplying all required information. Line 8 must list each type of tax and the amount paid.

(c) Interest Expenses: Complete lines 10 through 14, supplying all required in-

formation. This section 4.02(1)(c) does not apply to (i) amounts disallowed under section 163(d) unless Form 4952, *Investment Interest Expense Deduction*, is completed, or (ii) amounts disallowed under section 265.

(d) Contributions: Complete lines 15 through 18, supplying all required information. Enter the amount of the contribution reduced by the value of any substantial benefit (goods or services) provided by the donee organization in consideration, in whole or in part. Entering the value of the contribution unreduced by the value of the benefit received will not constitute adequate disclosure. If a contribution of \$250 or more is made, this section will not apply unless a contemporaneous written acknowledgment, as required by section 170(f)(8), is obtained from the donee organization. If a contribution of property other than cash is made and the amount claimed as a deduction exceeds \$500, attach a properly completed Form 8283, *Noncash Charitable Contributions*, to the return. In addition to the Form 8283, if a contribution of a qualified motor vehicle, boat, or airplane has a value of more than \$500, this section will not apply unless a contemporaneous written acknowledgment, as required by section 170(f)(12), is obtained from the donee organization and attached to the return. An acknowledgment under section 170(f)(8) is not required if an acknowledgment under section 170(f)(12) is required.

(e) Casualty and Theft Losses: Complete Form 4684, *Casualties and Thefts*, and attach to the return. Each item or article for which a casualty or theft loss is claimed must be listed on Form 4684.

(2) Certain Trade or Business Expenses (including, for purposes of this section, the following six expenses as they relate to the rental of property):

(a) Casualty and Theft Losses: The procedure outlined in section 4.02(1)(e) must be followed.

(b) Legal Expenses: The amount claimed must be stated. This section does not apply, however, to amounts properly characterized as capital expenditures, personal expenses, or non-deductible lobbying or political expenditures, including amounts that are required to be (or that are) amortized over a period of years.

(c) Specific Bad Debt Charge-off: The amount written off must be stated.

(d) Reasonableness of Officers' Compensation: Form 1120, Schedule E, *Compensation of Officers*, must be completed when required by its instructions. The time devoted to business must be expressed as a percentage as opposed to "part" or "as needed." This section does not apply to "golden parachute" payments, as defined under section 280G. This section will not apply to the extent that remuneration paid or incurred exceeds the \$1 million-employee-remuneration limitation, if applicable.

(e) Repair Expenses: The amount claimed must be stated. This section does not apply, however, to any repair expenses properly characterized as capital expenditures or personal expenses.

(f) Taxes (other than foreign taxes): The amount claimed must be stated.

(3) Differences in book and income tax reporting.

(a) Form 1120, Schedule M-1, *Reconciliation of Income (Loss) per Books With Income per Return*, and

(b) Schedule M-3, *Net Income (Loss) Reconciliation for Corporations With Total Assets of \$10 Million or More*, Form 1120: Column (b), *Temporary Difference*, and Column (c), *Permanent Difference*, of Part II, (reconciliation of income (loss) items) and Part III (reconciliation of expense/deduction items).

The information provided reasonably must be expected to apprise the Service of the nature of the potential controversy concerning the tax treatment of the item. If the information provided does not so apprise the Service, a Form 8275 or Form 8275-R, must be used to adequately disclose the item (see Part II of the instructions for those forms).

Note: An item reported on a line with a pre-printed description, shown on an attached schedule, or "itemized" on Schedule M-1 may represent the aggregate amount of several transactions producing that item (*i.e.*, a group of similar items, such as amounts paid or incurred for supplies by a taxpayer engaged in business). In some instances, the potentially controversial item may involve a portion of the amount disclosed on the schedule. The Service will not be reasonably apprised of the potential controversy by the amount disclosed. In these instances, the taxpayer must use Form 8275 or Form

8275-R regarding that portion of the item.

The combining of unlike items, whether on Schedule M-1 or Schedule M-3 (or on an attachment when directed by the instructions), will not constitute an adequate disclosure.

(4) Foreign Tax Items:

(a) International Boycott Transactions: Transactions disclosed on Form 5713, *International Boycott Report*. Schedule A, *International Boycott Factor (Section 999(c)(1))*; Schedule B, *Specifically Attributable Taxes and Income (Section 999(c)(2))*; and Schedule C, *Tax Effect of the International Boycott Provisions*, must be completed when required by their instructions.

(b) Treaty-Based Return Position: Transactions and amounts under section 6114 or section 7701(b) as disclosed on Form 8833, *Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b)*.

(5) Other:

(a) Moving Expenses: Complete Form 3903, *Moving Expenses*, and attach to the return.

(b) Employee Business Expenses: Complete Form 2106, *Employee Business Expenses*, or Form 2106-EZ, *Unreimbursed Employee Business Expenses*, and attach to the return. This section does not apply to club dues, or to travel expenses for any non-employee accompanying the taxpayer on the trip.

(c) Fuels Credit: Complete Form 4136, *Credit for Federal Tax Paid on Fuels*, and attach to the return.

(d) Investment Credit: Complete Form 3468, *Investment Credit*, and attach to the return.

## SEC. 5. EFFECTIVE DATE

This revenue procedure applies to any return filed on a 2005 tax form for a taxable year beginning in 2005, and to any return filed on a 2005 tax form in 2006 for a short taxable year beginning in 2006.

## SEC. 6. DRAFTING INFORMATION

The principal author of this revenue procedure is John Moran of the Office of the Associate Chief Counsel, Procedure & Administration (Administrative

Provisions & Judicial Practice Division). For further information regarding this revenue procedure, contact Branch 2 of the Administrative Provisions & Judicial Practice Division at (202) 622-4940 (not a toll-free call).

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26 CFR 601.201: Rulings and determination letters. (Also, Part 1, § 7805; § 301.7805-1.)

## Rev. Proc. 2005-76

### SECTION 1. PURPOSE

The purpose of this revenue procedure is to extend the date by which a qualified retirement plan must be in operational compliance with a reforming plan amendment in order to be eligible for the treatment described in section 3.02 of Revenue Procedure 2005-23, 2005-18 I.R.B. 991, relating to the Supreme Court decision in *Central Laborers' Pension Fund v. Heinz*, 541 U.S. 739 (2004).

### SECTION 2. BACKGROUND

Section 3.01 of Rev. Proc. 2005-23 provides that a qualified plan will not be treated as having failed to satisfy the requirements of § 401(a) of the Internal Revenue Code merely because an amendment that was adopted before June 7, 2004, violated § 411(d)(6) by adding or expanding a provision under which a suspension of benefits occurs. This treatment applies only if a reforming amendment is adopted and the plan complies operationally with the reforming amendment. Section 3.03(1) of Rev. Proc. 2005-23 provides that the reforming amendment must provide for the payment of retroactive benefits to an affected plan participant with respect to benefits that had accrued as of the applicable amendment date for the original amendment. Section 3.03(2) of Rev. Proc. 2005-23 provides that the plan must be in operational compliance with the reforming amendment by January 1, 2006, with respect to benefits payable through December 31, 2005. Pursuant to section 3.04 of Rev. Proc. 2005-23, the plan must also provide an eligible participant, as described in section 3.04(2), with the opportunity to elect retroactively to commence the payment of benefits. The plan must



provide notice of such election to each eligible participant on or before January 1, 2006.

**SECTION 3. EXTENSION OF TIME TO SATISFY SECTION 7805(b) CONDITIONS**

The date by which a plan must be in operational compliance with the reforming amendment in order to be eligible for certain treatment described in section 3.01 of Rev. Proc. 2005-23 is extended to January 1, 2007. Accordingly, the date as of

which a plan must provide for the payment of retroactive benefits (as described in section 3.03(2) of Rev. Proc. 2005-23) is extended to January 1, 2007. In addition, the date on or before which a plan must provide notice to certain participants as described in section 3.04(4) of Rev. Proc. 2005-23 is extended to January 1, 2007.

**SECTION 4. EFFECT ON OTHER DOCUMENTS**

Rev. Proc. 2005-23 is modified.

**SECTION 5. EFFECTIVE DATE**

This revenue procedure is effective December 12, 2005.

**DRAFTING INFORMATION**

The principal author of this revenue procedure is Kathleen Herrmann of the Employee Plans, Tax Exempt and Government Entities Division. Ms. Herrmann may be reached at (202) 283-9888 (not a toll-free number).

# Part IV. Items of General Interest

## Notice of Proposed Rulemaking and Notice of Public Hearing

### Partner's Distributive Share

#### REG-144620-04

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking and notice of public hearing.

SUMMARY: The proposed regulations provide rules for testing the substantiality of an allocation under section 704(b) where the partners are look-through entities or members of a consolidated group, provide additional guidance on the effect of other provisions, such as section 482, upon the tax treatment of a partner with respect to the partner's distributive share under section 704(b), and revise the existing rules for determining the partners' interests in a partnership. The proposed regulations affect partnerships and their partners. This document also provides notice of a public hearing on these proposed regulations.

DATES: Written or electronic comments must be received by January 25, 2006. Outlines of topics to be discussed at the public hearing scheduled for February 15, 2006, at 10 a.m., must be received by January 25, 2006.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG-144620-04), room 5203, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to: CC:PA:LPD:PR (REG-144620-04), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC, or sent electronically, via the IRS internet site at <http://www.irs.gov/regs> or via the Federal eRule making Portal at <http://www.regulations.gov/IRS/REG-144620-04>. The public hearing will be held in the Auditorium, Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Timothy J. Leska, (202) 622-3050; concerning submissions and the hearing, LaNita Van Dyke, (202) 622-7180 (not toll-free numbers).

#### SUPPLEMENTARY INFORMATION:

##### Background

Subchapter K is intended to permit taxpayers to conduct joint business activities through a flexible economic arrangement without incurring an entity-level tax. To achieve this goal of a flexible economic arrangement, partners are generally permitted to decide among themselves how a partnership's items will be allocated. Section 704(a) of the Internal Revenue Code (Code) provides that a partner's distributive share of income, gain, loss, deduction, or credit shall, except as otherwise provided, be determined by the partnership agreement.

Section 704(b) places a significant limitation on the general flexibility of section 704(a). Specifically, section 704(b) provides that a partner's distributive share of income, gain, loss, deduction, or credit (or item thereof) shall be determined in accordance with the partner's interest in the partnership (determined by taking into account all facts and circumstances) if the allocation to a partner under the partnership agreement of income, gain, loss, deduction, or credit (or item thereof) does not have substantial economic effect. Thus, the statute provides that partnership allocations either must have substantial economic effect or must be in accordance with the partner's interest in the partnership.

Section 1.704-1(b)(2)(i) provides that the determination of whether an allocation of income, gain, loss, or deduction to a partner has substantial economic effect involves a two-part analysis. First, the allocation must have economic effect within the meaning of §1.704-1(b)(2)(ii). Second, the economic effect of the allocation must be substantial within the meaning of §1.704-1(b)(2)(iii).

For an allocation to have economic effect, it must be consistent with the underlying economic arrangement of the partners. This means that, in the event that

there is an economic benefit or burden that corresponds to the allocation, the partner to whom the allocation is made must receive such economic benefit or bear such economic burden. §1.704-1(b)(2)(ii)(a). Under §1.704-1(b)(2)(ii)(b), an allocation of income, gain, loss, or deduction (or item thereof) to a partner generally has economic effect if, and only if, throughout the full term of the partnership, the partnership agreement provides: (1) for the determination and maintenance of the partners' capital accounts in accordance with §1.704-1(b)(2)(iv); (2) for liquidating distributions to the partners to be made in accordance with the positive capital account balances of the partners; and (3) for each partner to be unconditionally obligated to restore the deficit balance in the partner's capital account following the liquidation of the partner's partnership interest. In lieu of satisfying the third requirement, the partnership may satisfy the qualified income offset rules set forth in §1.704-1(b)(2)(ii)(d). An allocation also may be deemed to have economic effect if it satisfies the economic effect equivalence rules of §1.704-1(b)(2)(ii)(i).

Section 1.704-1(b)(2)(iii)(a) provides as a general rule that the economic effect of an allocation (or allocations) is substantial if there is a reasonable possibility that the allocation (or allocations) will affect substantially the dollar amounts to be received by the partners from the partnership, independent of tax consequences. Notwithstanding the previous sentence, the economic effect of the allocation (or allocations) is not substantial if, at the time the allocation (or allocations) becomes part of the partnership agreement, (1) the after-tax economic consequences of at least one partner may, in present value terms, be enhanced compared to such consequences if the allocation (or allocations) were not contained in the partnership agreement, and (2) there is a strong likelihood that the after-tax economic consequences of no partner will, in present value terms, be substantially diminished compared to such consequences if the allocation (or allocations) were not contained in the partnership agreement. In determining the after-tax economic benefit or detriment to a partner, tax consequences

that result from the interaction of the allocation with such partner's tax attributes that are unrelated to the partnership will be taken into account.

If the partnership agreement provides for an allocation of income, gain, loss, deduction or credit to a partner that does not have substantial economic effect, then the partner's distributive share of that item is determined in accordance with the partner's interest in the partnership. References in section 704(b) or §1.704-1 to a partner's interest in the partnership, or to the partners' interests in the partnership, signify the manner in which the partners have agreed to share the economic benefit or burden (if any) corresponding to the income, gain, loss, deduction, or credit (or item thereof) that is allocated, taking into account all facts and circumstances relating to the economic arrangement of the partners.

Section 1.704-1(b)(3)(i) provides that all partners' interests are presumed to be equal (determined on a *per capita* basis). However, this presumption may be rebutted by the taxpayer or the IRS by establishing facts and circumstances that show that the partners' interests in the partnership are otherwise.

Section 1.704-1(b)(1)(iii) provides that an allocation that is respected under section 704(b) nevertheless may be reallocated under other provisions, such as section 482, section 704(e)(2), section 706(d) (and related assignment of income principles), and §1.751-1(b)(2)(ii).

On April 21, 2004, temporary regulations (T.D. 9121, 2004-1 C.B. 903) relating to the proper allocation of partnership expenditures for foreign taxes were published in the **Federal Register** (69 FR 21405). In the preamble to those regulations, the IRS and the Treasury Department indicated a concern that some partnerships are taking the position that, in determining if the economic effect of a partnership allocation is substantial, they need not consider the tax consequences to an owner of the partner that result from the allocation. This position is inconsistent with the policies underlying the substantial economic effect rules, because it would allow a partnership to make tax-advantaged allocations if the tax advantages of the allocations accrue to an owner of a partner, rather than to the partner itself.

## Explanation of Provisions

These proposed regulations provide that the interaction of a partnership allocation with the tax attributes of owners of look-through entities must be taken into account when testing the substantiality of the allocation to a partner that is a look-through entity. For this purpose, look-through entities include partnerships, S corporations, trusts, certain controlled foreign corporations, and entities that are disregarded for federal tax purposes, such as qualified subchapter S subsidiaries under section 1361(b)(3), entities that are disregarded under §§301.7701-1 through 301.7701-3 of the Procedure and Administration Regulations, or qualified real estate investment trusts (REIT) subsidiaries within the meaning of section 856(i)(2). In general, look-through entities are entities that flow certain tax consequences through to their owners. Although regulated investment companies (RICs) and REITs have certain flow through characteristics, the regulations do not include them in the list of look-through entities, because the Treasury Department and the IRS believe that the burdens of a rule requiring taxpayers to look through these entities in determining the substantiality of partnership allocations generally would outweigh the benefits of such a rule. However, if necessary, RICs and REITs or other look-through entities may be added to the list of look-through entities in future guidance. Comments are requested regarding the treatment of controlled foreign corporations as look-through partners for purposes of §1.704-1(b)(2)(iii)(a)(2) of these proposed regulations. Specifically, comments are requested concerning whether the rule should be limited to those situations in which the controlled foreign corporation owns greater than a threshold minimum percentage interest in the partnership, or only by taking into account the tax attributes of those U.S. shareholders of the controlled foreign corporation owning above a threshold percentage of the stock of the controlled foreign corporation.

The regulations also provide that the interaction of a partnership allocation with the tax attributes of the consolidated group must be taken into account when testing the substantiality of the allocation to a partner that is a member of a consolidated group. A member of a consolidated group

is a member of a group filing (or required to file) consolidated returns for the tax year. See §1.1502-1(h).

The proposed regulations clarify that for purposes of §1.704-1(b)(2)(iii)(a)(1), the after-tax economic consequences of a partner resulting from an allocation or allocations must be compared to the after-tax economic consequences to that partner if the allocation or allocations were made in accordance with the partners' interests in the partnership. The proposed regulations also remove the *per capita* presumption in §1.704-1(b)(3)(i), which reaches the correct result in very few cases. Finally, the regulations include an example illustrating a fact pattern to which, apart from the application of section 704(b), other sections may apply.

## Proposed Effective Date

These regulations are generally proposed to apply for partnership taxable years beginning on or after the date on which final regulations are published in the **Federal Register**. No inference is intended as to the tax consequences of partnership allocations made in taxable years beginning before the effective date of these regulations.

## Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because the regulation does not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f) of the Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

## Comments and Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written (a signed original and eight (8) copies) or electronic com-

ments that are submitted timely to the IRS. The IRS and Treasury Department request comments on the clarity of the proposed rules and how they can be made easier to understand. All comments will be available for public inspection and copying.

A public hearing has been scheduled for February 15, 2006, at 10 a.m. in the Auditorium, Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC. Because of access restrictions, visitors will not be admitted beyond the immediate entrance area more than 30 minutes before the hearing starts. For information about having your name on the building access list to attend the hearing, see the FOR FURTHER INFORMATION CONTACT portion of this preamble.

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons who wish to present oral comments must submit written or electronic comments by January 25, 2006, and an outline of the topics to be discussed and the time to be devoted to each topic (a signed original and eight (8) copies) by January 25, 2006. A period of 10 minutes will be allotted to each person for making comments. An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing.

#### Drafting Information

The principal author of this regulation is Timothy J. Leska, Office of the Associate Chief Counsel (Passthroughs & Special Industries). However, other personnel from the IRS and Treasury Department participated in its development.

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#### Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

#### PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:  
Authority: 26 U.S.C. 7805 \* \* \*

Par. 2. Section 1.704-1 is amended as follows:

1. Paragraph (b)(1)(ii)(a) is amended by adding a sentence at the end of the paragraph.

2. Paragraph (b)(1)(iii) is amended by revising the first three sentences and adding a new fourth sentence.

3. Paragraphs (b)(2)(iii)(a), is redesignated as paragraph (b)(2)(iii)(a)(1) and revised.

4. New paragraph (b)(2)(iii)(a)(2) is added.

5. The last two sentences of paragraph (b)(3)(i) are removed.

6. Paragraph (b)(5) *Example 29* and *Example 30* are added.

The additions and revisions read as follows:

#### §1.704-1 Partner's distributive share.

\* \* \* \* \*

(b) \* \* \*

(1) \* \* \*

(ii) *Effective dates.* (a) \* \* \* Paragraph (b)(2)(iii)(a)(2) and paragraph (b)(5) *Example 30* of this section apply to taxable years beginning on or after the date on which final regulations are published in the **Federal Register**.

(iii) *Effect of other sections.* The determination of a partner's distributive share of income, gain, loss, deduction, or credit (or item thereof) under section 704(b) and this paragraph (b) is not conclusive as to the tax treatment of a partner with respect to such distributive share. For example, an allocation of loss or deduction to a partner that is respected under section 704(b) and this paragraph (b) may not be deductible by such partner if the partner lacks the requisite motive for economic gain (see, e.g., *Goldstein v. Commissioner*, 364 F.2d 734 (2d. Cir. 1966)), or may be disallowed for that taxable year (and held in suspense) if the limitations of section 465 or section 704(d) are applicable. Similarly, an allocation that is respected under section 704(b) and this paragraph (b) nevertheless may be reallocated under other provisions, such as section 482, section 704(e)(2), section 706(d) (and related assignment of income principles), and §1.751-1(b)(2)(ii). See paragraph (b)(5) *Example 29* of this section. \* \* \*

(2) \* \* \*

(iii) *Substantiality—(a) In general—(1) Fundamental principles.* Except as otherwise provided in this paragraph

(b)(2)(iii), the economic effect of an allocation (or allocations) is substantial if there is a reasonable possibility that the allocation (or allocations) will affect substantially the dollar amounts to be received by the partners from the partnership, independent of tax consequences. Notwithstanding the preceding sentence, the economic effect of an allocation (or allocations) is not substantial if, at the time the allocation (or allocations) becomes part of the partnership agreement, the after-tax economic consequences of at least one partner may, in present value terms, be enhanced compared to such consequences if the allocation (or allocations) were not contained in the partnership agreement (and, thus, the allocation or allocations were allocated among the partners in accordance with the partners' interests in the partnership), and there is a strong likelihood that the after-tax economic consequences of no partner will, in present value terms, be substantially diminished compared to such consequences if the allocation (or allocations) were not contained in the partnership agreement (and, thus, the allocation or allocations were allocated among the partners in accordance with the partners' interests in the partnership). In determining the after-tax economic benefit or detriment to a partner, tax consequences that result from the interaction of the allocation with such partner's tax attributes that are unrelated to the partnership will be taken into account. See paragraph (b)(5) *Examples 5* and *9* of this section. The economic effect of an allocation is not substantial in the two situations described in paragraphs (b)(2)(iii)(b) and (c) of this section. However, even if an allocation is not described therein, its economic effect may be insubstantial under the general rules stated in this paragraph (b)(2)(iii)(a). References in this paragraph (b)(2)(iii) to allocations include capital account adjustments made pursuant to paragraph (b)(2)(iv)(k) of this section.

(2) *Partners that are look-through entities or members of a consolidated group—(i) Rule.* For purposes of this paragraph (b)(2)(iii), in determining the after-tax economic benefit or detriment to any partner that is a look-through entity, the tax consequences that result from the interaction of the allocation with the tax attributes of any person that owns an interest in such a partner, whether directly or indirectly through

one or more look-through entities, must be taken into account, and, in determining the after-tax economic benefit or detriment to any partner that is a member of a consolidated group (within the meaning of §1.1502-1(h)), the tax consequences that result from the interaction of the allocation with the tax attributes of the consolidated group and with the tax attributes of another member with respect to a separate return year must be taken into account. See paragraph (b)(5) *Example 30* of this section.

(ii) *Definition.* For purposes of this paragraph (b)(2)(iii)(a)(2), a *look-through entity* means—

(A) A partnership;

(B) A subchapter S corporation;

(C) A trust;

(D) An entity that is disregarded for Federal tax purposes, such as a qualified subchapter S subsidiary under section 1361(b)(3), an entity that is disregarded as an entity separate from its owner under §§301.7701-1 through 301.7701-3 of this chapter, or a qualified REIT subsidiary within the meaning of section 856(i)(2).

(E) A controlled foreign corporation, as defined in section 957(a), but only with respect to allocations of items of income, gain, loss, or deduction that enter into the corporation's computation of subpart F income or would enter into that computation if such items were allocated to the corporation (collectively, subpart F items). For purposes of this paragraph (b)(2)(iii)(a)(2)(i)(E), the rule in paragraph (b)(2)(iii)(a)(2)(i) of this section shall apply only by taking into account the tax attributes of a person that is a United States shareholder of the controlled foreign corporation the amount of whose inclusions of gross income under section 951(a) are affected by the partnership's allocations of subpart F items (or would be affected if such items were allocated to the corporation).

\* \* \* \* \*

(5) *Examples.* \* \* \*

*Example 29.* (i) B, a domestic corporation, and C, a controlled foreign corporation, form BC, a partnership organized under the laws of country X. B and C each contribute 50 percent of the capital of BC. B and C are wholly-owned subsidiaries of A, a domestic corporation. Substantially all of BC's income would not be subpart F income if earned directly by C. The BC partnership agreement provides that, for the first fifteen years, BC's gross income will be allocated 10 percent to B and 90 percent to C, and BC's deductions and losses will be allocated 90 percent to B and

10 percent to C. The partnership agreement also provides that, after the initial fifteen year period, BC's gross income will be allocated 90 percent to B and 10 percent to C, and BC's deductions and losses will be allocated 10 percent to B and 90 percent to C.

(ii) Apart from the application of section 704(b), the Commissioner may reallocate or otherwise not respect the allocations under other sections. See paragraph (b)(1)(iii) of this section. For example, BC's allocations of gross income, deductions, and losses may be evaluated and reallocated (or not respected), as appropriate, if it is determined that the allocations result in the evasion of tax or do not clearly reflect income under section 482.

*Example 30.* PRS is a partnership with three partners, A, B, and C. A is a corporation that is a member of a consolidated group within the meaning of §1.1502-1(h). B is a subchapter S corporation that is wholly owned by D, an individual. C is a partnership with two partners, E, an individual, and F, a corporation that is a member of a consolidated group within the meaning of §1.1502-1(h). For purposes of paragraph (b)(2)(iii) of this section, in determining the after-tax economic benefit or detriment of an allocation to A, the tax consequences that result from the interaction of the allocation to A with the tax attributes of the consolidated group in which A is a member must be taken into account. In determining the after-tax economic benefit or detriment of an allocation to B, the tax consequences that result from the interaction of the allocation with the tax attributes of D must be taken into account. In determining the after-tax economic benefit or detriment of an allocation to C, the tax consequences that result from the interaction of the allocation with the tax attributes of E and the consolidated group in which F is a member must be taken into account.

Mark E. Matthews,  
*Deputy Commissioner for  
Services and Enforcement.*

(Filed by the Office of the Federal Register on November 17, 2005, 8:45 a.m., and published in the issue of the Federal Register for November 18, 2005, 70 F.R. 69919)

## Compliance Assurance Process

### Announcement 2005-87

The Internal Revenue Service is conducting a pilot program, the Compliance Assurance Process (CAP), for large business taxpayers. Under this pilot program, the Service's Large and Mid-size Business Division is working with large business taxpayers to identify and resolve issues prior to the filing of a tax return. The objective of the program is to reduce taxpayer burden and uncertainty while assuring the Service of the accuracy of tax returns prior to filing, thereby reducing

or eliminating the need for post-filing examinations. The CAP will reduce taxpayer burden through the contemporaneous exchange of information about completed events and transactions that affect tax liability, rather than through the traditional examination process. The CAP will also foster compliance by helping the Service achieve its goal of shortening examination cycles and increasing currency for taxpayers while enhancing the accurate, efficient, and timely final resolution of increasingly complex corporate tax issues. In addition, the program will assist in increasing audit coverage by providing a more efficient use of audit resources. Finally, the program will allow taxpayers to better manage tax reserves and ensure more precise reporting of earnings on financial statements.

Several large business taxpayers volunteered to participate in the CAP pilot program during the 2005 tax year. Upon its conclusion, the Service will evaluate the pilot program, consider necessary adjustments, and determine whether to make the program permanent.

#### DESCRIPTION OF PROGRAM

The CAP requires extensive cooperation between the Service and participating taxpayers. Throughout the tax year, these taxpayers are expected to engage in full disclosure of information concerning their completed business transactions and their proposed return treatment of all material issues. Participating taxpayers that resolve all material issues will be assured, prior to the filing of the tax return, that the Service will accept their tax return, if filed consistent with the resolutions (described below), and that no post-filing examination will be required. If all issues cannot be resolved prior to the filing of the return, the program will identify the remaining items that will need to be resolved through traditional examination processes.

Significant aspects of the CAP include:

- Communication of information about completed transactions in a manner that is timely and allows a meaningful analysis of material items affecting the tax return;
- The review of significant transactions immediately after completion, while

knowledgeable personnel and necessary records are most accessible;

- The sharing of all relevant data and positions between the Service and the taxpayer;
- The early identification of compliance issues in need of resolution;
- Access to and willingness to participate in issue resolution methods; and
- Determination of return acceptance prior to filing.

The program does not include providing participating taxpayers with guidance on or resolving prospective or incomplete transactions outside of existing procedures.

The Service has assigned an Account Coordinator to each taxpayer participating in the CAP pilot program. The Account Coordinator serves as the primary point of contact with the Service for issue resolution. The Account Coordinator will review the taxpayer's audit history and prior tax issues and will become familiar with relevant industry trends and current business practices of the taxpayer. To ensure proper and accurate evaluation of all tax items, the Account Coordinator will consult with Service specialists, Appeals personnel, and Chief Counsel advisors. Similarly, participating taxpayers have designated personnel to act as the primary contact for the Account Coordinator.

The Service has also asked the participating taxpayers, if relevant:

- To provide an industry overview;
- To prepare current organizational charts reflecting all related entities and the flow of relevant information involving those entities;
- To give financial performance information;
- To outline any anticipated significant events that will affect reporting for the tax year;
- To give access to accounting records and systems; and

- To make available the necessary resources for disclosure of requested information.

All information provided to the Service in connection with the CAP concerning the participating taxpayers' tax liability and all closing agreements entered into between the Service and the participating taxpayers are return information protected from disclosure by the confidentiality provisions of section 6103.

A standardized memorandum of understanding (MOU), which sets the ground rules for the CAP, has been executed between each participating taxpayer and the assigned Account Coordinator. The MOU defines specific objectives for the program, sets parameters for the disclosure of information, describes the methods of communication, and serves as a statement of the parties' commitment to good-faith participation in the CAP. Adherence to the processes established by the MOU is an integral part of resolving identified issues and assuring the Service of the accuracy of the tax return. Failure to comply with the terms of the MOU may result in removal of the taxpayer from the program.

The Account Coordinator and the taxpayer will work together during the process to identify and resolve issues. As issues are resolved, the Account Coordinator and the taxpayer will enter into Issue Resolution Agreements (IRAs) recording the resolutions. When necessary, the parties may use existing issue resolution processes, such as Fast Track Settlement (Rev. Proc. 2003-40, 2003-1 C.B. 1044). After the close of the tax year, the Account Coordinator will incorporate the resolution of the identified issues in Form 906 closing agreement(s), based on the completed IRAs. The CAP does not change or modify LMSB's current authorities to resolve cases.

If the taxpayer has fully complied with the terms of the MOU, and all identified issues have been resolved through closing agreement(s), the Service will provide the taxpayer with written confirmation that, subject to the completion of a post-filing review, it will accept the taxpayer's return if it is filed consistent with the closing agreement(s).

If the taxpayer has fully complied with the terms of the MOU, but the Service and the taxpayer cannot resolve all identified

issues prior to filing the tax return, the Service will provide the taxpayer with written confirmation that, subject to the completion of a post-filing review, it will accept the taxpayer's return as to the resolved issues if the return is filed consistent with the closing agreement(s).

Once the taxpayer files the return, the Service and the taxpayer will participate in a joint post-filing review to confirm that all resolved issues were reported as agreed. It is expected that this post-filing review will be completed within 90 days of the filing of the return. If the post-filing review reveals that the return is not consistent with the terms of the closing agreement(s), or reveals that there are items on the return presenting material issues that were not adequately disclosed, the Service will examine all inconsistent or inadequately disclosed issues through the traditional examination process. The taxpayer will retain access to all available Appeals proceedings with respect to any traditional examination that is conducted.

Although the CAP is not subject to the restrictions in section 7605(b), the Service will only reopen the year after the post-filing review has occurred and any traditional examination of inconsistent or inadequately disclosed issues has concluded if the circumstances set out in section 5 of Rev. Proc. 2005-32, 2005-23 I.R.B. 1206, apply.

#### CONTACT INFORMATION

For further information regarding this announcement, contact Christopher Johnson, LMSB Communications and Liaison Director, at (202) 283-8588 (not a toll-free number) or by email at [chris.johnson@irs.gov](mailto:chris.johnson@irs.gov).

### **Request for Applications to Participate in the 2006 IRS Individual e-file Partnership Program**

#### **Announcement 2005-88**

The Stakeholder Partnerships, Education and Communication (SPEC) function within the Internal Revenue Service (IRS) is continuing its efforts to establish IRS e-file partnerships with various entities. The IRS is seeking non-monetary e-file

partnerships for **Filing Season 2006**. No applications for funding (monetary compensation) will be considered. A commercial business, non-profit organization, state government or local government may submit applications. Applications are not solicited from other Federal government agencies. The program is an annual program and covers the period **January through October 16, 2006**. **All prior year partners must reapply for Filing Season 2006.**

## BACKGROUND

The IRS Restructuring and Reform Act of 1998 (RRA 98) requires the IRS to receive 80 percent of all returns electronically by 2007. RRA 98 authorized the IRS Commissioner to promote the benefits of and encourage the use of e-file services. As a result of RRA 98, the IRS enters into non-monetary partnerships with businesses to offer low cost income tax preparation and electronic filing for qualified taxpayers.

Continued opportunities for growth in electronic tax administration are evident. For Filing Season 2005, the IRS received 68 million electronically filed returns, an increase of 11% over the previous year. Visit the IRS web site, <http://www.irs.gov>, for the most current results from market research on individual taxpayers, including demographic data and psychographic studies. This research includes attitudinal surveys, customer satisfaction surveys, Public Service communications, tracking studies and any focus group results.

The IRS accepts many forms and schedules for electronic filing. Visit the IRS web site for a complete listing of accepted forms and schedules.

## FILING SEASON 2006

For Filing Season 2006, the IRS will focus on the 1040 series income tax returns covering “IRS *e-file* Using a Tax Preparer” and “IRS *e-file* Using a Personal Computer.” Additional emphasis is being placed on the following features: “Self-Select Personal Identification Number (PIN) for e-file”, “Using *e-file* for Federal/State Returns”, and “Electronic Payment Options” for balance due and estimated payment options.

A major area of emphasis is to reach those taxpayers who continue to file com-

puter prepared paper returns (v-code). Research indicates that the number of v-code returns continues to increase (76% of all v-code returns are prepared by paid preparers). Emphasis should be placed on converting v-code filers to electronically file their returns through the marketing and promotion of the benefits of e-file.

Participants should also reach those individuals eligible for the Earned Income Tax Credit (EITC). It’s important to note that many of the military families may also qualify for EITC since supplemental payments and combat pay are exempt from the income calculations.

Participants are encouraged to focus on reducing the number of errors made on electronically filed returns, including those returns claiming EITC. The “EITC Assistant” is an interactive web-based tool designed to help tax professionals determine whether or not their clients are eligible for EITC, and why. The “EITC Assistant” is a step taken by the IRS to maximize taxpayer participation, minimize EITC errors while increasing compliance. You can find the “EITC Assistant” on the IRS web site at <http://www.irs.gov/eitc>.

The IRS expects all accepted partners to aggressively market, promote and offer e-file product and services through October 16, 2006. The IRS will supply the partners with the key marketing messages, when they become available, that support electronic filing during the Filing Season (January through April 15, 2006) and post- Filing Season (April through October 16, 2006). These messages should be used in your promotion of electronic filing and placed on your web site. Utilization of these messages will ensure uniformity and maximize public awareness. For additional information on the various e-file programs, features, and market research, visit the IRS web site at <http://www.irs.gov>.

Participants will receive hyperlinks from the IRS web site — *irs.gov* (Partners Page) — to the Participant’s web site. Potential Participants may request links for the following categories:

- IRS *e-file* Partners for Taxpayers
- IRS *e-file* Partners for Tax Professionals

- IRS *e-file* Partners for Financial Institutions/Employers
- IRS *e-file* Partners for Credit Card Payment Options.

## PARTICIPATION STANDARDS & REQUIREMENTS

Participants will abide by the following standards and requirements, if applicable:

- The Participant was actively engaged in the electronic tax preparation and filing industry in 2004 and 2005.
- The Participant (Electronic Return Originator, Intermediate Service Provider, Software Developer, and Transmitter) must be in good standing with the IRS, comply with the e-file requirements stated in the IRS Revenue Procedure 2005–60, current versions of Publications 1345, 1345A, 3112, and pass the annual Suitability and Participants Acceptance Testing (PATS) conducted by the IRS. You can find the IRS e-file technical publications on the IRS web site at <http://www.irs.gov>.
- The Participant will comply with the privacy provisions of 26 U.S.C. §7216 and U.S.C. § 6103.
- The Participant will be required to prove and display third-party certifications for the privacy/security/authenticity of its online service. The Participant’s web site should display the third-party certification and privacy seals. Participants must use software that will enable their web sites to state their privacy practices in a standard machine-readable format that can be retrieved automatically and interpreted easily by users.
- Participants will comply with the security provisions in applicable Department of Treasury/IRS rules including, but not limited to, 31 C.F.R. Part 10, IRS Rev. Proc. 2005–60, current versions of IRS Publications 1345, 1345A, and 3112, and 26 U.S.C. §7216. In addition, Participants must comply with the Federal Trade Commission’s Graham Leach Bliley Act to protect the security of taxpayer information.

- The Participant will offer their products and services to filers of the 1040 Series returns, including complex returns, balance due returns, Federal/State returns, and 1040EZ returns.
- The Participant will target individuals eligible for EITC and v-coders.
- The Participant will focus on reducing the number of errors on electronically prepared returns, including those returns claiming EITC.
- The Participant will offer a variety of e-file features including the Self-Select PIN, Electronic Payment Options, Federal/State e-file, Direct Deposit of Refunds, etc.
- The Participant will market, promote and offer e-file services through October 16, 2006. The Participant should use the key marketing messages, provided by the IRS, for the promotion of Filing Season and Post Filing Season electronic filing and place them on your web site.
- The Participant will be permitted only **one (1)** hyperlink on the IRS *e-file* Partners Page per category:
  - IRS *e-file* Partners for Taxpayer
  - IRS *e-file* Partners for Tax Professionals
  - IRS *e-file* Partners for Financial Institutions/Employers
  - IRS *e-file* Partners for Electronic Payment Options.
- The Participant will provide the IRS with a description (**not to exceed 350 characters including spaces**) for each hyperlink placed on the IRS *e-file* Partners Page. The hyperlink description may describe multiple offers/services.
- The Participant will not have a URL(s) containing the word "IRS."
- The Participant will be required to supply the IRS with a link to their web site in their application or **no less than ten (10) business days** before the site is expected to go live (start date of electronic filing). All sites must be examined before they can be posted on the IRS *e-file* Partners Page. The purpose of the review is to ensure each Participant's web site complies with the standards and requirements set forth in this announcement.
- The Participant will adhere to industry best practices to ensure the taxpayer return information entrusted to them is secure and the privacy of such information is maintained. In any instance where a Participant contracts with a service provider to obtain technology services, it will adhere to this standard. To the extent multiple Participants rely on a single service provider for front or back office services (not ISP services), it is even more critical that such taxpayer security and privacy be maintained with respect to others who share these services.
- A Participant's web site must be functionally adequate and consistent with the Participant's offer in permitting a taxpayer to complete their return. Failure to comply may result in the Participant's removal from the Partners Page.
- Whenever taxpayers are requested or required to provide their SSN, it must be part of a secure session. Participants must not be permitted to use SSNs as a requested field for registration purposes or for establishing a taxpayer account on-line.
- The Participant will display the IRS *e-file* logo on the landing page of its web site. The e-file logo and guidelines can be downloaded from <http://www.irs.gov>.
- The Participant will have a link(s) to the IRS web site, <http://www.irs.gov>, from its web site.
- The Participant's web site will not contain inappropriate content. Further, the Participant will ensure that all online advertising and hyperlinks posted on its web site neither promote nor link to inappropriate content.
- The Participant will clearly disclose its customer service support options (including associated fees, if any) and privacy policy on the landing page of its web site. Participants must provide taxpayers with a business contact point by on-line form, email, mail, facsimile or telephone number which the Participant maintains and reviews. The Participant must provide taxpayers a method to obtain the status of their tax return. Taxpayers can be directed to **"Where's My Tax Refund?"** located on the Homepage of the IRS web site at <http://www.irs.gov>.
- The Participant will prominently display on the landing page of its web site the promotion of income tax preparation and electronic filing for individuals eligible for EITC. Participants are encouraged to offer a monetary incentive (reduced return preparation and electronic filing costs) to attract these taxpayers.
- The Participant will disclose limitations in the forms and schedules that are likely to be needed to support their offerings. The Participant should clearly display a listing of the forms and schedules that will be offered either visible or accessible from the Participant's landing page.
- The Participant will clearly disclose either visible or accessible from the Participant's landing page a listing of the States that their software supports.
- The Participant is permitted to offer commercial products and services consistent with obtaining the positive consent of the user as described in 26 U.S.C. 7616 before offering fee-based products and services not related to tax preparation.
- The Participant will include a feature in their tax preparation software that will "time out" the session after no changes are made for a period of time consistent with best practices approved by privacy seal certification programs.
- The Participant, upon learning of an inappropriate disclosure of a taxpayer's return information to a member of the public, such as another taxpayer or other unauthorized party in the course of providing e-file services as a result of their hyperlink on the IRS *e-file* Partners Page, will immediately notify



the IRS of this disclosure and then shut down its program immediately.

- The Participant will submit written notification (*e.g.*, email) to the IRS of changes, additions and deletions to URLs, link descriptions, etc.
- The Participant will submit Performance Reports to the IRS Point of Contact by **May 31, 2006**, covering Filing Season activity, and by **November 15, 2006**, covering post Filing Season activity. The reports will cover information such as e-file statistics (including the number of EITC returns), web site activity and anything else the IRS deems necessary. The IRS Point of Contact will provide written reporting instructions and requirements to accepted Participants.

### PERFORMANCE STANDARDS

- The IRS will have the accepted Participant's hyperlink(s) available on the IRS web site for the start of electronic filing, subject to the participant's passing of the annual Suitability, PATS testing, and web site review. Hyperlinks will remain on the IRS *e-file* Partners Page through **October 16, 2006, or at the discretion of the IRS.**
- The IRS will randomize on a daily basis the Participants' offers listed on the IRS *e-file* Partners Page.
- The IRS may establish a link from the IRS *e-file* Partners Page to the Free File web page.
- The IRS will accept, if appropriate, the Participant's written request for changes/additions/deletions to a URL, link description, etc.
- The IRS will review the Participant's web site(s) at any time to ensure that participation requirements are met.
- The IRS will not endorse specific offerings or products, but will promote the IRS *e-file* Partners Page. A "Site Disclaimer" will be displayed upon exiting the IRS web site before the user enters the Participant's web site.

### PARTICIPATION TERMS

The IRS Individual *e-file* Partnership Program is an annual program, and all prospective Participants, including returning Participants, must reapply each year following the guidelines in the Internal Revenue Bulletin announcement advertised on <http://www.irs.gov>.

- If the IRS determines that the Participant is not meeting the "Participation Standards & Requirements," the IRS may terminate its partnership with the Participant and remove the participant's hyperlink(s) from the IRS *e-file* Partners Page.
- The Participant will notify the IRS immediately if it wishes to terminate its partnership with the IRS. The notification should be submitted through email to the IRS Point of Contact or sent to the Point of Contact's address indicated below in "IRS Point of Contact/Application Submission."

### APPLICATION PROCESS

Applications should contain the following information, **if applicable**:

- Provide Primary and Secondary Points of Contact (name, title, address, cell/telephone number, fax number and email address) for discussion of your application and program participation.
- Identify the Applicant's secure web site.
- Identify the Applicant's tax preparation software and the States it will support.
- Identify the IRS forms and schedules that support your offering(s).
- Include the Applicant's Electronic Filer Identification Number(s) (EFIN) and/or Electronic Transmitter Identification Number (ETIN).
- Identify the Applicant's hyperlink(s) and provide a short description (**not to exceed 350 characters including spaces**) of the services and products

to be promoted on the IRS *e-file* Partners Page. In addition, the Applicant should provide the associated URL(s). **The URL(s) cannot contain the word "IRS."** Indicate the category for each hyperlink:

- IRS *e-file* Partners for Taxpayers
- IRS *e-file* Partners for Tax Professionals
- IRS *e-file* Partners for Financial Institutions/Employers
- IRS *e-file* Partners for Electronic Payment Options.
- Identify the Applicant's third party administrators (*i.e.*, VeriSign, Thawte, Truste) that certify the privacy/security/authenticity of its online service and provide certification that the Applicant's current status is active and in good standing.
- Identify the Applicant's communication vehicle(s) (*i.e.*, web site, marketing/promotional products, etc.) to market and promote your products and services and IRS *e-file*. Describe the incentives, discounts, offers, benefits to taxpayers or other specific approaches to increase *e-file* volumes.
- Describe steps the Applicant will take to reach taxpayers that claim EITC. This can include marketing/promotional efforts, monetary incentives (reduced return preparation and electronic filing costs).
- Describe steps the Applicant will take to reduce errors on electronically filed returns, including those returns claiming EITC.
- Certify the Applicant's compliance with the privacy and disclosure provisions of 26 U.S.C. 7216 and 26 U.S.C. 6103.
- Certify the Applicant's compliance with the Federal Trade Commission's Gramm-Leach Bliley (GLB) Act of 1999, Financial Privacy Rule and Safeguard Rules.

## IRS POINT OF CONTACT/APPLICATION SUBMISSION

Applications to participate in the IRS Individual *e-file* Partnership Program should be submitted as a Word document through email at \*[WIE-filepartners@irs.gov](mailto:WIE-filepartners@irs.gov) (Please make sure there is an asterisk before the WI (Wage and Investment) when submitting an application.) An application may also be sent to Karen Bradley at the following address:

Internal Revenue Service  
5000 Ellin Road  
Lanham, MD 20706  
Attention: Karen Bradley  
SE:W:CAR:SPEC:FO:IMS  
C4-132

**If you wish to have a hyperlink(s) on the IRS *e-file* Partners Page for the start of electronic filing, your application must be submitted by December 30, 2005.** If your application is received after the deadline, there is no guarantee that it will be accepted by the IRS.

Any questions regarding the development of applications, the submission of Performance Reports, or any other type of contact for this program should be directed to **Karen Bradley at (202) 283-7034** or through email to \*[WIE-filepartners@irs.gov](mailto:WIE-filepartners@irs.gov). Please make sure there is an asterisk (\*) before the WI (Wage and Investment) for any type of email contact.

## APPLICATION EVALUATION

All applications will be evaluated based on the required information provided to the IRS and the applicant's ability to fulfill their responsibilities. Prior year performance will also be considered when evaluating applications from returning partners.

## ACCEPTANCE/DENIAL OF APPLICATION

If your application is accepted, you will receive written notification from the IRS. If your application is denied, you will receive written notification from the IRS with an explanation of the denial.

## e-Help

If you have any questions related to e-products/electronic filing, you can contact the e-Help Desk toll-free at **1-866-255-0654**. The e-Help desk assistants are ready to respond to non-account related questions and issues. You can also go to <http://www.irs.gov> where the IRS houses a variety of information which impacts the tax professional.

## Foundations Status of Certain Organizations

### Announcement 2005-89

The following organizations have failed to establish or have been unable to maintain their status as public charities or as operating foundations. Accordingly, grantors and contributors may not, after this date, rely on previous rulings or designations in the Cumulative List of Organizations (Publication 78), or on the presumption arising from the filing of notices under section 508(b) of the Code. This listing does *not* indicate that the organizations have lost their status as organizations described in section 501(c)(3), eligible to receive deductible contributions.

*Former Public Charities.* The following organizations (which have been treated as organizations that are not private foundations described in section 509(a) of the Code) are now classified as private foundations:

ACHI, Inc., A Not for Profit Corporation, Brooklyn, NY  
African-American Health Network, Cincinnati, OH  
Agape Outreach and Development Center, Kansas City, MO  
All About Us, Inc., Johnstown, PA  
American Associates of York Minster Fund, Washington, DC  
American Friends of B'Nai Levy Foundation, Brooklyn, NY  
American Youth Athletic and Scholarship Fund, Inc., Bethel, OH  
American Youth Institute, Atlanta, GA  
Appalachian Domestic Violence Collaborative, Jackson, OH  
Appalachian Leadership Program, Boone, NC

Assistance Dogs for Freedom, Inc., Northbrook, IL  
Avondale Public Safety Task Force, Inc., Cincinnati, OH  
Baptist Ministerial Association, Laurel, MS  
Bell Atlantic Classic Charities, Inc., Silver Spring, MD  
Belpre Bike Rodeo Committee, Belpre, OH  
Bentley Woods, Inc., Lebanon, OH  
Big Dog Little Dog, Los Angeles, CA  
Bio Environmentally Degradable Polymer Society, Inc., Wyoming, MN  
Boyers Pond-Shekinah Ministries, Central City, PA  
Build a Dream Committee, Marion, OH  
Burns Community Development Foundation, Columbia, SC  
Camp Mitakuye Oyasmin, Inc., Alpine, UT  
Capital City Pipes Housing & Community Development Corporation, Tallahassee, FL  
Capital City South Foundation, Inc., Baton Rouge, LA  
Career Explorers, Inc., Timonium, MD  
C A R E S, Lincoln, NE  
Careysburg Association of North America, Marietta, GA  
C A T S, Inc., of Ft. Walton Beach, Ft. Walton Beach, FL  
Center for Life & Family, Pittsburgh, PA  
Central Ohio Association of Foster and Adoptive Families, Columbus, OH  
Charity Ball Organization, Granville, OH  
Charity Riders of Central PA, Harrisburg, PA  
Chesterfield Wilson Community Development, Inc., Miami, FL  
Chesterfield Wilson Ministry, Inc., Miami, FL  
Chicago Metropolitan Development Association, Chicago, IL  
Children Educational Program, Jackson, MS  
Childrens Hope Foundation Charitable Trust, Newton Square, PA  
Chosen Generation, Inc., Columbus, MS  
Christianity Organization Relief for Southern Sudan, Coon Rapids, MN  
Cibolo Valley Animal Rescue, Cibolo, TX  
College Resource Center of Wilmington, Inc., Wilmington, DE  
Columbus Development Committee, Inc., Whiteville, NC  
Community Coordinating Council, McCormick, SC

Community Oriented Policing Partnership, Monroeville, PA  
Community Potential, Inc., Binghamton, NY  
Community Public Housing, Lawndale, CA  
Community Safety Network, Oakland, CA  
Concerned Students of Texas, San Antonio, TX  
Constitution Day, Inc., El Monte, CA  
Covingtons Family Care, Inc., Nashville, TN  
Creative Humanitarianism International, Chicago, IL  
Creative Unity Youth Artist Foundation, Los Angeles, CA  
Daymetro Community Family Action Agency Cooperative Foundation, Inc., Englewood, OH  
Deliverance Outreach Ministry, Columbia, SC  
Destiny Outreach Center, Columbus, OH  
Disability Sports and Recreation Council of Mid-Missouri, Columbia, MO  
Don Abel Memorial Wrestling Foundation, Eudora, KS  
Dowell Baseball Association, Duquoin, IL  
Dr. Bert W. and Blanche B. Pllum Conservancy, Inc., Dubois, PA  
Dress for Success Columbus, Powell, OH  
Drop the Guns Try the Son K O G, Lorain, OH  
Ellensburg Electronic Community Foundation, Ellensburg, WA  
Elm St. Opportunity Center, Inc., Fernandina Beach, FL  
Emerging Leaders Foundation, Corpus Christi, TX  
Family Care Communities of Pennsylvania, Inc., Lancaster, PA  
First Wheels of Wilson County, Inc., Lebanon, TN  
Florida Healthnet, Inc., Longboat Key, FL  
Foundation for Advancement of Worker Health and Safety, Washington, DC  
Fox Economic Educational Development, Inc., Mobile, AL  
Franklin County Forest and Farmland Conservancy, Inc., Shippensburg, PA  
Freedom Brass Band of Northeast Ohio, Inc., Cuyahoga Falls, OH  
Freedom Channel, Inc., Washington, DC  
Friends of a Feather, Frederic, WI  
Friends of Harmon Field Foundation, Inc., Franklin, OH  
Friends of Rock Point, Inc., Burlington, VT  
Friends of Santa Clara Del Cobre, Inc., Jamaica, NY  
Friendship Community Development Corporation, Columbia, SC  
G & V Community Services, Inc., Fernandina, FL  
Galveston County T L C, Inc., Santa Fe, TX  
Gamut International Foundation, Pittsburgh, PA  
Garland City Volunteer Fire Department, Garland City, AR  
Gauvin We Care Foundation, St. Marys, KS  
Gensoc Org, Inc., Frazier Park, CA  
Georgia Speakout Project, Inc., Atlanta, GA  
Go Forward, Inc., Cincinnati, OH  
Go Women, Inc., Winchester, KY  
Gods Army Ministry, Inc., Bronx, NY  
G O S P E L Life Ministries, Independence, MO  
Great American Artists, Terrace Park, OH  
Great Miami Education & Conservation Group, Inc., Cincinnati, OH  
Greater Dallas Congress of National Black Churches, Inc., Dallas, TX  
Greater Pittsburgh Supported Employment Association, Inc., Pittsburgh, PA  
Greater Toledo Housing Foundation, Inc., Sylvania, OH  
Greek Theater, Inc., Winston Salem, NC  
Habitats for Vets by Vets, Summit, NJ  
Hampden-Sydney Gentleman, Handen-Sydney  
Harris House, Inc., Waycross, GA  
Harvest Home of Hope Dayton, Inc., Trotwood, OH  
Heart Healer Ministries, Inc., West Mifflin, PA  
Hearts of Gold Cloggers, Florence, KY  
Help The Needy, Woodland Park, CO  
His Love & Truth Ministries, Mountainair, NM  
Homeownership Network Services, Columbus, OH  
H O R S E, Yankton, SD  
Horse Education and Rescue Alliance of the United States, Newark Valley, NY  
Housing Access, Inc., Louisville, KY  
Human Potential Foundation, Birmingham, AL  
Humane Association of Simpson County, Franklin, KY  
Ideas for Better Living, Overland Park, KS  
Impactos Humanos Foundation Corporation, Alpharetta, GA  
Inet University, Inc., Hershey, PA  
Institute for Caribbean and International Studies, Washington, DC  
Institute for Creative Understanding, Columbus, OH  
Interdenominational Christian Mens Network, Inc., South Easton, MA  
International Society of Chairborne Philosophers Poets Artists Student, Sacramento, CA  
Jack Parish Foundation, Terrace Park, OH  
Jeffreys Charitable Trust, Leetsdale, PA  
John Leopold Weil and Geraldine Rickard Weil Memorial Charitable Foundation, W. Newton, MA  
Juniata County Girls Softball Association, Mifflintown, PA  
Keshner Center for Jewish Studies, Inc., Cedarhurst, NY  
Kids-World Tennis Association, Inc., Middletown, CT  
Korean American Government Employees Association, Los Angeles, CA  
Kuji Foundation, Inc., Guilford, CT  
Labrador Retriever Adoption & Rescue of Central Ohio, Galena, OH  
Leadership Forum Coalition, Fairfax City, VA  
Learning Tree Childcare Center, Chattanooga, TN  
Lone Star Leadership Council, San Antonio, TX  
Lone Star Leadership Foundation, Fort Worth, TX  
Longevityplus, Virginia Beach, VA  
Lord Is My Life Ministries, Irvine, CA  
Love Conquers All Outreach Ministries & Mission, Gaston, NC  
Loves 180, Inc., Columbus, OH  
Maggie Rogers Foundation, Inc., Schaumburg, IL  
Main Street Gallipolis, Inc., Gallipolis, OH  
Manne Du Jour, Inc., East Orange, NJ  
Margalla Institute of Health Sciences, Inc., Riverside, CA  
Mary Washington Alliance, Fredericksburg, VA  
Master Builders Ministries, Inc., Fairfield, OH  
McDonalds Charitable Trust, Marrero, LA  
Medex Foundation for Advancement of Women in Health Care, Yarmouth, ME  
Mens Christian Fellowship of the Ozarks, West Plains, MO  
Mentoring Plus, Inc., Glen Allen, VA  
Mentoring Student Athletes Foundation, Gahanna, OH  
Miles for Smiles, Concord, NH

Milestone Food Umbrella, Inc., Lithonia, GA

Miraculous Ministries, Oxford, OH

Missionary City USA, Millersport, OH

Missionary Program of Hawaii, Aiea, HI

Mount Zion Community Development Corporation, Ft. Mill, SC

Mt. Calvary Multicultural Child Care Center, Harrisburg, PA

Mt. Laurel Skating & Recreation Corporation, Piscataway, NJ

Mt. Sinai Medical Center Health Care Foundation, Inc., Cleveland, OH

Myron Wentz Foundation, Inc., Salt Lake City, UT

National Homeownership Corporation, Montebello, CA

Naval Lodge Charities, Inc., Washington, DC

NEEV Foundation, Los Angeles, CA

Nevada Trap Shooting Hall of Fame, Yerington, NV

New Beginning Community Outreach, Inc., Grand Bay, AL

New Birth Community Services Corporation, Ft. Lauderdale, FL

New Hope Christian Academy, Albuquerque, NM

New Southwest Jewish Archives Clearing House & Research, Potomac, MD

No Phase Artspace, Inc., Roanoke, VA

North Florida Youth Sports Foundation, Inc., Lake City, FL

North Park Community Development Corporation, Dallas, TX

Northwest Ohio Football Coaches Association, Maumee, OH

Nykolz II Cultural Center, Forest Hill, TX

O Grifs New Directions Group Home, San Diego, CA

Oasis of Love Care Centers, Inc., Toledo, OH

Odyssey Foundation, Inc., San Francisco, CA

Ohio Appalachian Dance Festival, Norwich, OH

Ohio Valley Creation Education Association, Beverly, OH

Old Kings Orchard Community Center, Inc., Decatur, IL

One to One Citizen Advocacy, Inc., Fort Collins, CO

Open Way Life Ministries, Melissa, TX

Operation Stray Cat, Inc., Baton Rouge, LA

Overseas Pakistanis Educational Network Open, Woodside, NY

Partnership for Land Use Management, Doylestown, PA

Pathways Health and Wellness, Inc., Mount Vernon, OH

Pennsylvanians for Responsible Agriculture, Annville, PA

Pequot Lakes Boys Traveling Basketball Team, Brainerd, MN

Perseus Foundation, Inc., Gaithersburg, MD

Philip S. Muccio Medical Research Foundation, Inc., Columbus, OH

Platte Canyon Educational Foundation, Baily, CO

Positive Alternatives for Change, Newark, OH

Prevention Education for Adults Children & Everyone, Inc., Snellville, GA

Pro Inner City Chamber of Commerce, Inc., Dayton, OH

Project Cleveland 2000, Cleveland, OH

Puailoa Tavete Community Foundation, Malaeimi, AS

Raw Basketball Organization, Cincinnati, OH

Reliable Cash Management Association, Gurnee, IL

Relief Interactive, Springfield, VA

Retrouvaille Columbus, Pataskala, OH

Ricardo Montalban-Nosotros Foundation, Inc., Los Angeles, CA

R I S E Ministries, Inc., Decatur, GA

River Park Advisory Council, Chicago, IL

Rock Contemporary Christian Radio, Inc., Akron, OH

Rosa Batie 488, Inc., Lake City, FL

Russart, American Center for Humanitarian Aid to Russia and CIS, San Francisco, CA

Santa Barbara Equine Assistance & Evacuation Team, Inc., Santa Barbara, CA

Santa Barbara Free Thinkers, Ventura, CA

Save-Society Against Violent Entertainment, Inc., Rogers, AR

Schoolworld Internet Education Foundation, Inc., Fairfield, OH

Shawn Stephen Cohen Drama Memorial Fund, Palm Coast, FL

Shelby Farms Conservancy, Inc., Memphis, TN

Shepherding Ministries, Greenville, SC

Sheridan Oaks Pastors Retreat, Boyceville, WI

Sierra Leone Aid Foundation, Inc., New York, NY

Skateland Artistic Booster Club, Klamath Falls, OR

Snow Shoe Ambulance & Rescue Service, Snow Shoe, PA

Snowhill Community Services, Malone, FL

Society for the Preservation of Putnam County Antiquities & Greenways, Carmel, NY

Solve, Inc., Silverado, CA

Somali Community Organization of Illinois, Inc., Chicago, IL

S O N Ministries, Inc., Brentwood, CA

Sounds of Hope, Inc., New York, NY

South Florida Employment Training and Development Corporation, Miami Shores, FL

Southeast Arkansas Kennel Club Search & Rescue Team, Jefferson, AR

Southern Maryland Mariners Youth Baseball Organization, Inc., Waldorf, MD

Special Needs Outreach, Inc., Winter Garden, FL

Starlight Economic Development, Inc., Chunchula, AL

Steamboat Hill Corporation, Dayton, OH

Stop the Violence Lets Talk, Inc., New London, CT

STRS Ohio 80th, Inc., Columbus, OH

Sudanese Christian Outreach, Inc., Omaha, NE

Sunshine Sewing School, St. Louis, MO

Take Me Out to the Ball Game, Inc., Columbus, OH

Taters Charities, Inc., Norwich, CT

TBDC Housing, Inc., Toledo, OH

Tennessee Minority Health Care Coalition, Inc., Nashville, TN

Thespiis Theatricals, Cincinnati, OH

Thomas Slave Chapel Foundation, Inc., Bedford, VA

Tiffany-Mac Therapeutic Equestrian Center, Gansevoort, NY

Tiny Toon Town Daycare Center, Hillside, IL

Torne Valley Preservation Association, Inc., Hillburn, NY

Tower of Refuge & Strength, Inc., Staten Island, NY

Tower Project, Inc., Cincinnati, OH

Tree of Life Aftercare Program, Inc., Louisville, KY

Tree of Life Outreach Development, Inc., Miami, FL

Tri-State Childrens Charity, Cranberry Township, PA

Twinsburg Athletic Club, Twinsburg, OH

UBD Corporation, Baltimore, MD

Uniformed Safety Education Officers,  
Inc., Olathe, KS  
United Christian Coalition, Inc.,  
Margate, FL  
Universal Center Corp., Memphis, TN  
USNA Parents Club of the Texas Gulf  
Coast, Inc., Houston, TX  
Vietnamese American Buddhist  
Association of Cincinnati, Inc.,  
Maineville, OH  
Virgin Healthcare Foundation U S A, Inc.,  
New York, NY  
Virginia Foundation for Housing  
Preservation, Richmond, VA  
Washington D C Vietnamese Community  
Center, Inc., Washington, DC

Washington HOOPS, Inc., Seattle, WA  
Washington Senior Care Corporation,  
Pittsburgh, PA  
Water Safety Foundation, Tustin, CA  
Way to Freedom, Sacramento, CA  
Wesley J. Kline Foundation for Pet  
Therapy, Inc., Des Moines, IA  
Wiley Kennedy Foundation,  
Columbia, SC  
World-Wide Indigenous Missions  
Associates, Reslands, CA  
Worship Ministries International,  
Gilbert, AZ

If an organization listed above submits  
information that warrants the renewal of

its classification as a public charity or as  
a private operating foundation, the Inter-  
nal Revenue Service will issue a ruling or  
determination letter with the revised clas-  
sification as to foundation status. Grantors  
and contributors may thereafter rely upon  
such ruling or determination letter as pro-  
vided in section 1.509(a)-7 of the Income  
Tax Regulations. It is not the practice of  
the Service to announce such revised clas-  
sification of foundation status in the Inter-  
nal Revenue Bulletin.

# Definition of Terms

*Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:*

*Amplified* describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

*Clarified* is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

*Distinguished* describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

*Modified* is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A

and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

*Obsoleted* describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

*Revoked* describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

*Superseded* describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the substance

of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

*Supplemented* is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

*Suspended* is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

# Abbreviations

*The following abbreviations in current use and formerly used will appear in material published in the Bulletin.*

A—Individual.  
Acq.—Acquiescence.  
B—Individual.  
BE—Beneficiary.  
BK—Bank.  
B.T.A.—Board of Tax Appeals.  
C—Individual.  
C.B.—Cumulative Bulletin.  
CFR—Code of Federal Regulations.  
CI—City.  
COOP—Cooperative.  
Ct.D.—Court Decision.  
CY—County.  
D—Decedent.  
DC—Dummy Corporation.  
DE—Donee.  
Del. Order—Delegation Order.  
DISC—Domestic International Sales Corporation.  
DR—Donor.  
E—Estate.  
EE—Employee.  
E.O.—Executive Order.

ER—Employer.  
ERISA—Employee Retirement Income Security Act.  
EX—Executor.  
F—Fiduciary.  
FC—Foreign Country.  
FICA—Federal Insurance Contributions Act.  
FISC—Foreign International Sales Company.  
FPH—Foreign Personal Holding Company.  
F.R.—Federal Register.  
FUTA—Federal Unemployment Tax Act.  
FX—Foreign corporation.  
G.C.M.—Chief Counsel's Memorandum.  
GE—Grantee.  
GP—General Partner.  
GR—Grantor.  
IC—Insurance Company.  
I.R.B.—Internal Revenue Bulletin.  
LE—Lessee.  
LP—Limited Partner.  
LR—Lessor.  
M—Minor.  
Nonacq.—Nonacquiescence.  
O—Organization.  
P—Parent Corporation.  
PHC—Personal Holding Company.  
PO—Possession of the U.S.  
PR—Partner.

PRS—Partnership.  
PTE—Prohibited Transaction Exemption.  
Pub. L.—Public Law.  
REIT—Real Estate Investment Trust.  
Rev. Proc.—Revenue Procedure.  
Rev. Rul.—Revenue Ruling.  
S—Subsidiary.  
S.P.R.—Statement of Procedural Rules.  
Stat.—Statutes at Large.  
T—Target Corporation.  
T.C.—Tax Court.  
T.D.—Treasury Decision.  
TFE—Transferee.  
TFR—Transferor.  
T.I.R.—Technical Information Release.  
TP—Taxpayer.  
TR—Trust.  
TT—Trustee.  
U.S.C.—United States Code.  
X—Corporation.  
Y—Corporation.  
Z—Corporation.

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